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7 December 1984

# China Report

ECONOMIC AFFAIRS



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7 December 1984

## CHINA REPORT ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### HE KANG URGES DIVERSIFICATION OF FOOD PRODUCTION

OW251445 Beijing Domestic Service in Mandarin 2230 GMT 22 Nov 84

[Text] In a recent interview with a reporter of this station, He Kang, minister of agriculture, animal husbandry, and fishery, said: A speedup of the diversification of food production is an important requirement for doubling China's agricultural output value; it will help improve the people's diet and change the consumption pattern.

He said: China has the material base for diversifying its food production. This is evidenced particularly by the fact that food production in China has increased. China has abundant resources for animal husbandry and aquatic cultivation. These undertakings have a great development potential and will be a major driving force for food diversification.

China is a big country with 1 billion people. Therefore, the consumer market will be quite a big one with the diversification of food production. Temporary difficulties in selling grain, as encountered at present, will actually promote food diversification. Unless we have a clear idea of this major trend in agricultural development and make good use of this situation to speed up the diversification process, we will have difficulties in continuing to develop our agriculture.

In order to actively and properly carry out work in diversifying food production, from now on agricultural, animal husbandry, and fishery departments of all localities should work hard to develop small-sized, civilian-run animal feed processing, food processing, and livestock products processing industries by using local resources. They should support and try to increase the number of households specializing in livestock raising, build livestock and food production bases, support and develop animal feed and food processing industries, and regulate relations between production and marketing by using economics as a lever. At the same time, all localities should, while taking the local situation into consideration, pay attention to the key issues of diversification and solve them as quickly as possible. Nationwide, it is planned to solve, within 3 or 5 years, key problems in producing and marketing milk, eggs, poultry, fish, vegetables, fruits, and lean pork in urban areas and to actively create favorable conditions for increasing food exports.

CSO: 4006/93

## NATIONAL POLICY AND ISSUES

### GONGREN RIBAO DISCUSSES URBAN ECONOMIC REFORM

HK220613 Beijing GONGREN RIBAO in Chinese 29 Oct 84 p 3

[Article by Ding Jilong [0002 1015 7893]: "Deepen the Understanding of the Necessity and Urgency of Reforming the Urban Economic Structure--(Part I)"]

[Text] Abstract: Our rural reform provides conditions for urban reform; reform is a prerequisite for the growth of the urban economy; reform is a need to meet the challenge of a new technological revolution emerging on a global scale; and reform provides an important guarantee for achieving the four modernizations. [end abstract]

Not long after the 3d Plenary Session of the 11th CPC Central Committee decided to shift the focus of the work of the whole party to economic construction, our party formulated the principle of "readjustment, restructuring, consolidation and improvement." Since then, our national economy, which was once severely damaged, has swiftly revived in a short period of 5 years and has embarked on a sound path of steady growth after basically freeing itself from the instability caused by serious imbalance among its major branches. The major targets set by the "Sixth 5-Year Plan" have been fulfilled ahead of schedule, the financial situation has improved significantly, and the living standards of the people have greatly improved. Compared with 1978, the gross annual output value of industrial and agricultural production went up by 46.1 percent in 1983; and national income, by 41.1 percent. The proportion that light industry accounted for in the ratio between agriculture, light industry, and heavy industry rose from 31.1 percent in 1978 to 32.1 percent in 1983 and agriculture from 27.8 percent to 33.9 percent, while heavy industry dropped from 41.1 percent to 34 percent. By 1983, the accumulation rate had fallen to 30 percent, as against 36.5 percent in 1983. From 1978 to 1983, the per-capita level of consumption in urban and rural areas averaged an annual increase of 7.2 percent. The average per-capita net income of families of peasants went up by 14.7 percent and the average per-capita income of families of workers and office staff which was available for living expenses, by 7.4 percent. The developments in the national economy have been quicker and better than expected. The 3d Plenary Session of the 12th CPC Central Committee, having analyzed the current economic and political situation in China, held that conditions are now ripe for all-round reform of the existing economic structure. For this reason, it decided to accelerate the restructuring of the national economy as a whole, with the focus on the urban economy. It calls for achieving

unity of thinking and enhancing it among all comrades in the party. It also holds that we should stand in the forefront of reform, a tide of our times, and that proceeding from the overall need to build socialism with Chinese characteristics by integrating the basic tenets of Marxism with actual conditions in China, we should initiate a socialist economic structure full of vitality and create a new, better situation for our socialist modernization.

#### Our Rural Reform Provides Conditions for Urban Reform

Our reform of the economic structure started first in the rural areas after the 3d Plenary Session of the 11th CPC Central Committee. The introduction of the system of contracted responsibility for production with remuneration linked to output and the implementation of the party's rural policies across the countryside have greatly boosted the enthusiasm of peasants for getting rich through labor and emancipated the forces of production, thus instilling great vitality into the rural economy and extricating it from the protracted stagnation in our agricultural production. During the 5 years from 1979 to 1983, the country's output of grain had increased 170 billion jin, equivalent to the total output increase in the 14 years prior to the 3d Plenary Session of the 11th CPC Central Committee, and the output of other farm products such as cotton and oil-bearing crops went up by 100 percent. The great achievements made in our agricultural production consequent upon rural reform have been brought home to everyone and drawn the attention of the world.

Thanks to the system of contracted responsibility for production with remuneration linked to output, our rural economy is moving toward large-scale commodity production and modernization. A large number of specialized households and economic associations of various descriptions have emerged. The rural economy is gradually changing from a semi-self-supporting economy to the economy of large-scale commodity production; from single-product business to diversification; and from traditional farming to modern agriculture. The restructuring of rural economy and the readjustment of the set-up of production have provided valuable experiences for urban reform and have set higher demands on cities for economic information, technology, and talented people, and in particular, for expansion of exchange of commodities between town and country.

With the rapid development of agricultural production and the progressive increase of farm products, there is an urgent need to unclog the channels of circulation between town and country and expand the market for the increasing amount of agricultural products. It has been estimated that China now has nearly 25 million specialized households of various descriptions, accounting for about 14 percent of the nation's total peasant households. Such division of work in specialization and the development of commodity production have presented new challenges to industry, commerce, and exchange of commodities between town and country. The commodity rate of farm and sideline products in 1983 (including exchange of commodities between peasants) exceeded 50 percent, and reached 60 or 70 percent in some places. The total amount of the state purchase of farm and sideline production has increased by 17.5 percent every year since 1978. Such a situation calls on us to do a good job in purchasing, allocating, transporting, storing, and processing farm and sideline

products by the peasants. However, our current commodity circulation system (including the supply and marketing cooperatives) is incompatible with the present situation in our country and congestion of commodities is still fairly serious. If there is no reform, the development of commodity production in the rural areas will be clogged.

Second, with the development of agricultural production and improvement of the living standards of the people in the countryside, the cities are required to supply more and better daily consumer goods and the means of production to the rural areas, such as tractors, cars, and chemical fertilizer. According to figures compiled in 1983, the average net income of each peasant rose to 309.8 yuan and bank savings in the countryside amounted to 74.8 billion yuan, an increase of 12.2 billion yuan over 1982. Apart from deposits by various institutions and social groups, per-capita savings deposits were over 40 yuan and each individual also had about 40 yuan of cash in hand. Therefore, the purchasing power of the rural population and their demand for manufactured goods are increasing steadily. After they are warmly dressed and have eaten their fill, they want to expand reproduction, demand more means of production, and need more building materials. In short, there is an increasing demand for nutritious food, fashionable clothes, high-grade goods, and buildings of two or more stories. The cities should manage to meet these demands from the countryside and should greatly expand production and construction and achieve better economic results. Otherwise, they can hardly cope with the changes in the rural economy and consumption patterns. To enliven the urban economy, we should also reform the industrial and commercial structure in the urban areas.

Third, the rural areas need more economic information and technology from the urban areas. Our countryside is now facing a new change and readjustment of production mix (mainly developing the fodder industry, the food processing industry, and township enterprises). We should, therefore, progressively enhance the techniques of agricultural production and lead it toward modernization. Meanwhile, in order to tap new sources of production, a considerable number of peasants will change to industry, commerce, the transport trade, and the service trades. In the course of vigorously developing the forces of production, there is a pressing need for various kinds of economic information and knowledge of science and technology in the rural areas. The cities should also manage to meet these demands. The urban and rural economy, in fact, are an organic entity, they depend on each other and restrict each other. The growing rural economy will surely promote the urban economy. Meanwhile, the development of the urban economy will certainly spur on further growth of the rural economy. If urban reform falls short of the demands of the times, and if the urban economy cannot be enlivened, the cities will fail to play their due role in supporting and promoting the development of the rural areas. They will probably hinder and affect further growth of the rural economy, and rural reform. That is why we say that accelerating urban reform is an objective demand in the development of the rural economy.



## Reform Is a Prerequisite for the Growth of the Urban Economy

The cities are economic, political, cultural, information, scientific and technological centers where industry and commerce are concentrated, there are transport facilities, scientific and cultural undertakings are developed, and there is quick access to all kinds of information. Therefore they occupy a decisive position in the national economy as a whole. According to statistics compiled in 266 cities at the end of 1983, the gross value of the fixed assets of the industrial enterprises with independent accounting, owned by the whole people, accounted for 75.7 percent of the country's gross value of fixed assets; the number of workers and staff members, 78.9 percent; the gross output value, 84.6 percent; and the taxes and profits delivered by these enterprises, 82.9 percent. It is thus seen that the cities are a main force of developing the forces of production and have a most important bearing on the national economy as a whole. Only when we bring the cities into full play, will there be an overall upsurge of the national economy.

Reform of our industry and commerce in the urban areas has been explored and tested in all ways in recent years. This reform started by extending the decisionmaking power of enterprises. In May 1979, six government departments, including the State Economic Commission and the Ministry of Finance, selected eight enterprises in Beijing, Tianjin and Shanghai, such as the Shoudu Iron and Steel Company, the Tianjin Bicycle Plant, and the Shanghai Diesel Engine Plant, as experimental spots for extending decisionmaking power. Such experimental units increased to 4,200 at the end of the year, and developed to 6,600 in 1980. They started adopting the system of retention of profits by enterprises, and at the same time they had power to a certain extent in planning their production, supply, marketing and use of funds and in appointment and removal of cadres. All these instilled vitality into these enterprises. Then in 1981 more than 30,000 industrial enterprises instituted the system of economic responsibility focusing on profits. Consequently, there emerged a number of advanced enterprises which yielded marked results in the introduction of the economic responsibility system, such as the Shoudu Iron and Steel Company. In 1983, we also carried out experiments in replacing profit delivery with tax payments at more than 450 selected units (the first step in this reform). And starting with the fourth quarter of this year, the second step in putting this reform into practice was taken. This meant that all enterprises would gradually switch to the substitution of tax payments for profit delivery, instead of having the two methods in use simultaneously. Meanwhile, tremendous efforts have been made to develop diversified economic forms by relaxing policies, to reform the circulation structure of commodities, organize economic activities by taking the cities as the center, adopt the system of putting counties under the leadership of the cities, and reorganize enterprises and amalgamate them with others. This has yielded certain results and experiences, and economic life has been invigorated to an extent unknown for many years. Our urban reform is only in the initial stage, however, and defects in the urban economic structure that seriously hinder the expansion of the forces of production are yet to be eradicated. The superiority of our urban economy is yet to be brought into full play, its potential is far from being fully tapped, and the economic effectiveness of our urban enterprises is still very low. For example, enterprises have been given decisionmaking power to a

certain extent in management and operations, but they are still tied by the administrative structure of the different departments and regions and they still lack vitality; our current irrational system of pricing and price control can hardly help us to assess correctly the performance of enterprises, thus we often see the instances of "whipping the advanced and protecting those who are backward"; and the present wages system of enterprises, which has not been thoroughly reformed, is also a hinderance to the enthusiasm of their workers and staff members. All these problems should be immediately solved. Only by accelerating urban reform will it be possible for us to straighten out economic relations in different fields, thus stimulating the economic development of our country.

Over the past few years, we have focused our efforts on the readjustment of economic work. This is quite necessary and correct. Now, the developments require us to shift the focus to reform. Through our initial efforts to explore reform in the past few years, we have given it a clear orientation and have put forward relevant principles. The road leading to reform is open. What we should do now is to accelerate urban reform in accordance with the decision made by the 3d Plenary Session of the 12th CPC Central Committee. In his "Government Work Report" at the 2d Session of the 6th NPC, Premier Zhao Ziyang pointed out: "At present, the central task in the structural reform of the urban economy is to eliminate the practice of making no distinction between well-run and badly-run enterprises or between employees who do more work and those who do less, and to see to it that enterprises will not eat from the 'big pot' of the state or employees from the 'big pot' of the enterprises." This has clearly shown us the orientation and priority in accelerating urban reform. In urban reform, we should break the "two big pots" and invigorate enterprises. To meet the demand, we must mainly carry out reform in the following aspects:

1. Establish a correct relationship between the state and enterprises. According to our practice in recent years, the best method to solve the problem is the substitution of tax payments for profit delivery. The second step in putting this reform into practice can help stabilize the relationship between the state and enterprises in financial distribution. All profits originally delivered by state-owned enterprises to the state will be replaced by different kinds of taxes and enterprises will retain after-tax profits for their own use so that they can adopt the system of independent accounting and assume sole responsibility for their losses and profits. Enterprises' overall performance is closely related to the income of their workers and staff members. With regard to enterprises which have incurred losses over the years and are unable to change the situation, we should apply the policy of shutting them down, or suspending their operation, or amalgamating them with other enterprises, or switching them to the manufacture of other products. It is more advantageous to replace profit delivery with tax payments than to use other methods. After the switch from profit delivery to tax payments, the relationship between the state and enterprises will be fixed by law, thus preventing the occurrence of "whipping the advanced and protecting those who are backward." Meanwhile, since enterprises will no longer turn over their profits to the administrative units to which they belong, they can have no direct conflict of interests with administrative organs at all levels and they

can create conditions for developing better economic relations between departments and regions and between central and local authorities and for separating government from enterprise functions.

2. Enterprises should establish various forms of the economic responsibility system which combine responsibility, authority, and benefit, and should adopt a series of methods to strictly assess technical proficiency of workers and to check on cadres. We should link the income of workers and staff members with their job performance and apply fully the principle of giving more pay for more work and less pay for less work and rewarding the diligent and good and punishing the lazy and bad so as to do away with equalitarianism in income distribution. In state-owned enterprises the system under which a director or manager assumes full responsibility should first be instituted so as to change the previous leadership system under which party and administrative functions are not separated. It is also necessary, at the same time, to improve the system of congresses of workers and staff members and ensure effective participation by workers and staff members in the democratic running of enterprises so that they function as the true masters of the enterprises.

3. Extend more decisionmaking power to enterprises. The enterprise should be truly made a relatively independent economic entity and should become a producer and operator of socialist commodity production that is independent and responsible for its own profits and losses. It is, therefore, necessary to resolutely apply the ten regulations on further extending the decisionmaking power of the state industrial enterprises promulgated by the State Council, and to give enterprises due power in planning for production, sales of products, use of funds and administration of affairs concerning personnel and labor so that they can be truly invigorated.

4. We must change the form of running enterprises by administrative system between different departments and regions, and the central role of cities must be brought into play. After the decisionmaking power is gradually extended to enterprises and after they are reorganized and associated in a planned way in accordance with the nature of different trades and products, open economic zones and networks of various types, sizes, and levels must be formed with support from central cities and with key enterprises as their main body between different regions and various trades.

5. An open, multichannel circulation system with as few levels as possible should be established so that a unified socialist market will grow. For example, we should establish different kinds of economic centres and commodity fairs and a series of reforms should be initiated in the structure of commodity wholesale, the supply and marketing cooperatives, control of materials and equipment, and even foreign trade.

Meanwhile, in co-ordination with these reforms, we should also reform the systems of pricing, price control, labor use and wages, finance, science and technology, and education in order to meet the new situation.



## NATIONAL POLICY AND ISSUES

### GONGREN RIBAO CONTINUES ON URBAN ECONOMIC REFORM

HK220735 Beijing GONGREN RIBAO in Chinese 30 Oct 84 p 3

[Article by Ding Jilong: "Deepen the Understanding of the Necessity and Urgency of Reforming the Urban Economic Structure--(Part II)"]

[Text] Reform Is a Necessity in Making Preparations for the Challenge of a New Technological Revolution Emerging on a Global Scale

In the world today, the key to a higher rate of labor productivity and a better development of the economy lies in the progress of science and technology. This has a vital bearing on a country and a nation. There is no doubt that the emergency of a new technological revolution on a global scale and the appearance of new industries present a serious challenge to the four modernizations of our country. In the face of this challenge, we have two choices: Either we seize this opportunity and make selective use of the new scientific and technological achievements so as to promote our economic growth and narrow the economic and technological gap between China and the developed countries; or we remain indifferent toward the opportunity and let it slip. As a result, the gap between China and the developed countries with advanced technology in the world will become wider and our country will be left far behind. Therefore, this is a challenge not only in the technological and economic fields but also in the political field. It is not only competition in the economic field but also rivalry between the two social systems--socialism and capitalism. We should prepare to meet the challenge.

Since the 1960's, the scientific and technological gap between China and the developed countries has not been narrowed, instead it has become wider in many respects. Apart from political causes, a major cause for this is that our economic management structure cannot meet the needs of scientific and technological progress and cannot encourage enterprises to promote technological progress. As everybody knows, to develop new technology needs hard and creative work and often requires certain risks. Therefore, it is particularly essential for us to boost the enthusiasm and creativeness of enterprises and their workers and staff members. However, our current economic structure lacks this kind of stimulus. Thus, enterprises have no decisionmaking power in production, "eat from the same big pot" in financial distribution, and give inadequate importance to market competition. This has resulted in enterprises lacking motive force from inside and pressure from outside, having no interest in new technology, being content with things as they are, and thinking that

new technology and products are useless for them and that promoting new technology and new products often incurs economic losses. For example, enterprises should use a large amount of funds and labor force in research of new technology and in promotion of new products, yet they have no preferential rights in taxation and credit and no right to price their new products. Consequently, high-quality goods cannot have good prices; the more new products are promoted, the more enterprises suffer losses. This is why the same kinds of goods have been produced without change for decades. Meanwhile, another obstacle to the use and popularization of new technology is that our research institutes are separated from production units as both of them are under the authority of government departments. This creates barriers between them and hinders the flow of qualified personnel.

The socialist system represents the most progressive forces of production and relations of production. Lenin once pointed out: Socialism should make possible a high rate of labor productivity which is far superior to that of capitalism; to attain this, it is necessary to draw on the world's most advanced technology and to develop the most advanced industries. Therefore, reform of our current economic management structure, including the structure of science and technology and of education, is all the more imperative.

#### Reform Provides an Important Guarantee for Achieving the Four Modernizations

As mentioned above, we should expedite our economic restructuring in order to keep to the developments in the rural areas, meet the prerequisite for the growth of the urban economy, and greet the upsurge of a new technological revolution. This will promote the sound development of the national economy in a co-ordinated way. With regard to fulfilling the general task and reaching the general goal set up by the party for the new period, reform can also provide an important guarantee for consolidating and developing the socialist system and for achieving the four modernizations.

As is known to all, the present stage of our socialist system demonstrates comparable superiority to capitalism. However, socialism, either as a theoretical system or as a movement, is progressing continuously. Engels predicted long ago: "I believe that the so-called 'socialist society' is not immutable. Like other social systems, it should be regarded as a society which must be changed and reformed very often." With the unceasing development of the production forces and economic base, our economic management structure, therefore, cannot be solidified and without change, but should be reformed very often. During the 35 years since the founding of our country, there were many changes and reforms of our economic structure (including the unsuccessful ones), which took place during the "First 5-Year Plan," the Great Leap Forward, the period of readjustment, the economy as a whole, the "Cultural Revolution," and after the 3d Plenary Session of the 11th CPC Central Committee. And our country has achieved greater successes in reform of the economic structure, particularly in the past 5 years, than at any period in our history. This reform, as a form of self-improvement and development of the socialist system, is aimed at consolidating and developing the socialist system and bringing the superiority of the socialist system into fuller play. For developing and perfecting the socialist system, reform, therefore, is all the more necessary.

As far as the development of production forces is concerned, we should also persist in reform. The tasks in the present stage of socialism are to quickly develop the forces of production and to meet the rising demands of the people in their material and cultural life. But when the forces of production develop to a certain degree, they will be contradictory with the existing relations of production. The basic contradictions in socialist society remain that between the relations of production and the forces of production, and that between the superstructure and the economic base. The economic management structure embodies the relations of production and also is a reflection of the superstructure in the economic field. To iron out contradictions between them, reform should be carried out. Comrade Deng Xiaoping points out: "Now that this revolution is aimed at bringing about a great change in the present backwardness of the relations of production, it is essential for us to change the relations of production in many ways, to change the relations of production in many ways, to change the superstructure, and to change management of industrial and agricultural enterprises and methods of the state's control over industry and agriculture so as to meet the needs of the modern macroeconomy." Our current economic management structure has been gradually established since the 1950's. Practice in the past 30 years and more proves that such structure has played a positive role in unifying leadership, concentrating financial and material resources to ensure the state's key construction projects, changing layout of economic districts, readjusting economic structure, making overall arrangements for the people's life, and guaranteeing the basic requirements for the people's life. However, with the forces of production developing in our country, defects of the economic structure have gradually become manifest. Following are the major defects of this structure: The economic form is too monotonous; the management power is too concentrated; no clear distinction has been drawn between the functions of the government and those of the enterprises; barriers exist between different departments or regions; and no adequate importance has been given to the law of value and the principle of distribution according to work; thus seriously hindering the development of the forces of production. Comrade Deng Xiaoping pointed out as early as in October 1978: "It is essential to carry out major reforms in the various branches of the economy with respect to their structure and organization as well as to their technology. The long-term interests of the whole nation hinge on these reforms, without which we cannot overcome the present backwardness of our production technology and management." In stressing that reform hinges on the destiny of our party and state, Comrade Deng Xiaoping pointed out profoundly: "If we fail to carry out reforms now, our modernization drive and socialist cause will be ruined." The 12th National Congress of the CPC formulated the grand objective of quadrupling the gross annual value of industrial and agricultural production by the year 2000. Following this, our party also pointed out that the reform of the economic structure would provide an important guarantee for keeping to the socialist road and creating a new situation in socialist modernization, and that the party should regard this reform as a fundamental guiding idea in leading the four modernizations, and the reform should be carried out throughout the whole course of the four modernizations. For this reason, we should deepen and enhance our understanding of the importance, necessity, and urgency of the reform.

'LET SOME ENTERPRISES AND WORKERS GET RICH FIRST'

HK010741 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 84 pp 33-38, 21

[Article by Guo Yuanxi of the Economic Research Institute of the Sichuan Social Sciences Academy: "Let Some Enterprises and Workers Get Rich First"]

[Text] At the end of 1978 Comrade Deng Xiaoping said "We must permit some regions, some enterprises, and some workers and peasants to have a greater income first and have better lives first, as a result of their hard work and achievements." With them as models to spur others on, "the entire national economy will constantly move forward like a series of waves and the peoples of every nationality in China will then quickly become rich."<sup>1</sup> At the Second Session of the Sixth National People's Congress this year, Comrade Zhao Ziyang said, "The central theme of the present reform of the urban economic system is to thoroughly change the situation of no difference between good and bad economic management and no difference between workers who work a lot and those who work very little. We want to ensure that enterprises do not eat from the state's 'big rice bowl' and that workers do not eat from the enterprise's 'big rice bowl'." "Letting some enterprises and some workers get rich first is the road we must take in order to smash these two 'big rice bowls'."

Letting Some Enterprises and Workers Get Rich First Has in Theory Already Been Established

Ours is a socialist country. The fundamental economic laws of socialism demand that while constantly developing production, we satisfy to the greatest possible extent the constantly increasing material and cultural needs of the mass of people, and this means ensuring that the masses get rich as quickly as possible. The strategic target to be reached before the end of this century, brought up at the 12th Party Congress, represents an ample manifestation of the aims of socialist production.

How can we ensure that the people get rich as quickly as possible? Since the founding of new China over 30 years ago we have followed a twisting path in terms of our ideological understanding. For quite a long time before the 3d Plenary Session of the 11th CPC Central Committee we mistakenly understood the common prosperity of all the people as meaning that everyone should get rich simultaneously. The economic model we selected and the methods we used under this ideological guidance deviated from the fundamental situation in China during that period of time.

1. Deng Xiaoping "Emancipate One's Thinking, Seek Truth From Facts, Unite and Look Forward." "Selected Works of Deng Xiaoping" p 142.

In a country as big as ours, with such a huge population and a weak foundation, where the level of the productive forces is not high and economic development is very unbalanced, it is impossible to make everyone rich on the same day. The only thing to be done is to allow a few people to get rich first and then they will spur on those who get rich later. Those who get rich later will then catch up with or even overtake those who got rich first and thus we will all move forward in a wave-like motion so that in the end everyone will have become rich.

Letting some enterprises and some people get rich first is a two-tier question. Enterprises are production and management units and workers are laborers. Rich enterprises and rich workers have different intensional meanings and also different manifestational forms, and as a result the theoretical foundations on which they are based are also different.

First, as far as enterprises are concerned, what we are mainly talking about is commodity production and commodity exchange since this is what we are practicing at the moment and what we still need to develop.

Socialist commodity production and commodity exchange is different from capitalist commodity production and commodity exchange. Admittedly, state-run enterprises in which the means of production are under the ownership of the state are only relatively independent commodity producers. However, since state-run enterprises are commodity producers they are inevitably regulated by the law of commodity production and commodity exchange. In commodity production and commodity exchange, economic interests act as powerful levers to regulate and promote the development of social production. Any commodity producer carrying out production management activities must strive for economic results. As relatively independent commodity producers, socialist state-run enterprises must also inevitably strive for their own relatively independent economic interests. Hence if we admit that in China's present stage of socialism we still need to develop commodity production and commodity exchange to a great extent, then we must inevitably permit them to strive for their own economic interests, and by doing so, constantly produce more and better commodities to satisfy the constantly increasing material and cultural demands of the people, and thus make great contributions to the state. At the same time, in order to achieve their own economic interests, enterprises must obviously be allowed to develop socialist competition on an extensive and broad scale. In such competition they actively make use of advanced technology, improve management and administration, increase product varieties, and improve product quality, so that they may provide society with more goods and better goods than other enterprises, and as a result achieve greater economic results. Strongly competitive enterprises will consequently be more prosperous, while those with bad production and management which cannot provide society with more and better goods will be less prosperous. A very small number of enterprises with very poor management and administration and in which no interests are achieved, may be wiped out through such competition. This is the inevitable trend of the new superseding the old within the socioeconomic movement. If we do not adopt a position of seeking truth from facts and as a result recognize the economic interests that enterprises should have, and instead simply do as we did in the past and make no



differentiation between good and bad production and management and thus allow all enterprises to be on the same level in terms of economic interests, with everyone "eating from the big rice bowl," then enterprises will inevitably lose their intensional motivation for developing production and in the long run the state's interests will not be realized, and there will not be fast progress for all of society.

Some comrades have grown accustomed to the old system of "unified revenue and expenditure" that was practiced in enterprises under ownership of the whole people, and thus they worry that if enterprises have considerable autonomy, even after they get rich first, they may turn to crooked ways and thus affect the nature of enterprise ownership by the whole people. Some comrades start out from traditional concepts and stress that when it comes to economic interests, enterprises under ownership by the whole people must "take care of those all around them" and thus everyone must get rich and there should be no gaps or differences. This kind of thinking reflects the desire to continue egalitarianism among enterprises and preserve the situation in which enterprises eat from the state's "big rice bowl." The consequences would be that the advanced enterprises would be suppressed and they would be unable to exert their stimulatory role on those enterprises behind them and thus develop production. Admittedly, because the means of production in enterprises under ownership by the whole people are in the final analysis owned by the state, the surplus labor provided by these enterprises should be distributed in a unified way by the state. The production equipment which the state gives to various enterprises under ownership by the whole people varies and thus a portion of the differential gains produced as a result of this should be deducted by the state in order to allow all enterprises to stand on the same starting line. However, we cannot, simply because of this, reject the position of enterprises under ownership by the whole people as relatively independent producers and we must recognize the economic interests that are their dues. Those enterprises which have good production and management as a result of positive hard work should achieve good economic results. In this way it is inevitable that differences in the extent of prosperity will emerge among enterprises under ownership by the whole people. Such a differential is quite normal and helps promote the development of the productive forces. Not only does it not do the slightest damage to the nature of the system of ownership by the whole people, it can in actual fact ensure that the means of production under ownership by the whole people are utilized better with the result that a state of friendly emulation develops among enterprises under ownership by the whole people and as a result this will ensure that the entire economy under the system of ownership by the whole people is improved and perfected.

Second, as far as the workers are concerned, what we are mainly talking about is the implementation of the socialist principle of distribution according to labor in respect of the workers' individual consumer items.

Distribution according to labor is an indivisible component part of the socialist economic system. Distribution according to labor requires recognition of the fact that some workers will receive greater work remuneration as a reward for having done more work and contributed more and thus they will get rich first. Marx once said "One individual may be superior either physically or mentally to another person and as a result may do more work within the same period."

time or may be able to work for a longer period of time. In order to make labor become a yardstick, it must be determined according to its length of time or its intensity, otherwise it cannot become a yardstick. These kinds of equal rights are unequal rights when it comes to different kinds of work. It does not recognize any class differences because every person is a worker like any other. However, it does tacitly recognize differences in individuals' talents and consequently it also tacitly recognizes that different abilities on the level of work are natural prerogatives."\*

Our actual situation is as follows: Not only in terms of the distribution of individual consumer products is there no manifestation of differences between workers' individual work abilities, in addition there are also no differences manifested in terms of complex labor and simple labor. Even if it is sometimes recognized in theory it is always refuted and rejected in practice. Hence in actual fact there exists a labor difference and a contribution difference between people doing the same job, between general workers and technological workers, and between workers and engineers or management personnel, but there is no difference in the distribution of individual consumer products, or at least such a difference in minimal and in some cases it is even played down. At a time when labor has still not yet truly become the primary requirement of man's life, a time when it is still a means of life, this will inevitably encourage the backward and stifle the advanced. Similarly this does not help develop the productive forces nor does it help social progress. Moreover, in the final analysis enterprises' prosperity must be based on the hard work of the workers. With egalitarianism in enterprises and eating from the "big rice bowl" the labor enthusiasm of the workers cannot be mobilized, labor productivity does not increase, production does not improve, and thus the enterprise does not get rich. In order to ensure success in an enterprise's production and management, and in order to promote the development of social production, the socialist principle of distribution according to work must be properly implemented. To this end it is necessary to recognize differences in the distribution of individual consumer commodities as a result of differences in the amount of work performed by individual workers and thus we must allow some workers (including intellectuals) to get rich first as a result of their hard work and contributions.

Because industrial production is socialized large scale production, the work of individual workers represents one portion of the collective work. As a result there is a difference between some workers becoming rich first and some peasants becoming rich first. In order for some workers to get rich first, support is needed from the enterprises. Only when the enterprises get rich can the workers get rich. This is a fact which must be recognized as we implement the principle of distribution according to work.

Some comrades fear that allowing some enterprises and workers to get rich first may produce a "polarization" between rich and poor. Such doubts are unnecessary. When we talk here of letting some enterprises and workers get rich first, it is

\* Marx "Critique of the Gotha Program" "Selected Works of Marx and Lenin"  
Vol 3, pp 11-12.

on the basis of the socialist system of public ownership of the means of production and it involves a conscious utilization of objective economic laws, so that enterprises and workers may get rich as a result of improved management and hard work.

Here then the way to get rich is by means of management and labor and there is no question of possessing other people's labor by relying on ownership of the means of production. There is only a difference between those who get rich first and those who get rich later and there is no question of the existence of some people who are impoverished. The ultimate aim is the common prosperity of all the people and there is no chance of the capitalist "polarization" occurring in which one extreme represents an accumulation of wealth and the other extreme an accumulation of poverty.

#### What Are the Standards for Some Enterprises and Workers Getting Rich First?

The 12th Party Congress says that after the achievement of the overall target for economic construction in China by the end of this century, the income of those living in urban areas will have increased several fold and the material and cultural lives of the people will have reached the level of comparative comfort. If we look at the actual lives of the people in China, can we consider that if some enterprises and workers reach this stage first, then they may be said to have gotten rich first? With this question in mind we have made the following few calculations:

Engels' law, the general standard used abroad to measure whether or not a household is rich or not is: If food costs represent 50 percent of a family's expenditure, then they are only just making ends meet. If it makes up 30 percent then they are fairly comfortably off. If it makes up 20 percent, then they are comfortably off. If it is below 20 percent, then they are leading a life of luxury. In 1982 in China the average per capita total monthly income for urban worker households stood at 44.61 yuan while the living costs income was 41.69 yuan and living costs expenditure was 39.25 yuan. Of total living costs expenditure, the proportion used to buy food totaled 23.07 yuan, making up 58.65 percent of living costs expenditure. According to overseas standards, we are still quite far from prosperity. In order to reach the level of comparative comfort proposed at the 12th Party Congress, average monthly expenditure in worker households must drop at the very least to around 30 percent of living expenses and thus on the basis of unchanging prices, the per capita total monthly revenue of each household must be around 63 yuan and then in a four-person household in which two people work, this requires an annual income of 3,000 yuan and thus one worker's revenue must be around 1,500 yuan. In a situation such as this the consumer goods used by workers to maintain individual subsistence, that is the means of subsistence, could be ample while the consumer goods used above and beyond maintaining subsistence, that is means of development, could also increase by a certain amount, while consumer items used to develop the individual's talents and intelligence, in other words, means of development, could also gradually increase.

Starting out from the characteristics of industrial production itself, if some workers are to get rich first, it is necessary in the final analysis to rely on the enterprises and this naturally requires that we focus our attention on an investigation into enterprises.



in measuring the standards of prosperity in enterprises, we must first of all foremost clarify the following few principles: First, enterprises must have ample funds for production development so that while being able to maintain simple reproduction, the enterprises may also carry out internal expansion of reproduction to a certain extent. Second, enterprises must have ample reserve funds in order that they can meet urgent needs at times when losses occur, or improve their market adaptability. Third, enterprises must have a certain amount of funds to be able to constantly improve the welfare of the workers and the collective, and ensure that all welfare facilities improve visibly. Fourth, in the long run the prosperity of an enterprise should manifest itself in the individual workers of the enterprises and in improvements to the family life of the workers.

The above-outlined principles are concentrated within enterprise profits for retention. Because enterprises vary in size from large, to medium, to small, it is not possible to measure an enterprise's prosperity from the total profits retained alone. It will be seen that it is more appropriate to measure its prosperity by means of the level of per capita average profits retained.

We have made some calculations on the assumption that production development funds, worker and collective welfare funds, and worker bonus funds will represent 60 percent, 20 percent, and 20 percent respectively of the total profits retained in an enterprise. If the per capita average profits retained in an enterprise reaches 1,000 yuan, then, on the basis of the above-mentioned proportional ratio of 6:2:2, the enterprise can achieve fairly good conditions for developing production. As far as worker and collective welfare is concerned, in addition to other collective welfare facilities which can be improved, the enterprise can in 1 year provide 1 square meter of accommodation for each worker. As far as the worker's individual annual income is concerned, (including both wages and bonuses), it can on average reach around 800 yuan. According to investigations, in most enterprises in Sichuan today the bonus received by some workers who are making especially large contributions can be as much as twice this average. Thus when an enterprise's average per capita profits for retention reach 1,000 yuan, the revenue of a small minority of workers who are making especially large contributions can be as high as 1,000 yuan a year. If the average per capita profits for retention in an enterprise reaches 1,500 yuan, then, according to the distribution ratio of 6:2:2, the enterprise can achieve even better conditions for developing production; there can be even better improvements to workers' and collective welfare, and the average annual income of each individual worker can reach 900 yuan, while a small number of workers who make very large contributions can achieve annual incomes of up to 1,500 yuan. Thus, as far as the workers are concerned, a small proportion of workers who make very large contributions can achieve the level of comparative comfort as cited at the 12th Party Congress.

The above are simply very rough calculations done in view of today's special conditions, and thus they only represent a kind of static analysis. As the economy continues to develop in the future and reforms to the economic system intensify, the real situation will definitely change. We must be very aware of this.

## Conditions for Allowing Some Enterprises and Some Workers To Get Rich First

Allowing some enterprises and workers to get rich first represents a universal aspiration of all cadres and workers in enterprises today. Even enterprises which today are lacking in necessary conditions and in which the average per capita profit for retention is low, also believe that this is the only way to progress. The question today is just how do we start?

Without a doubt, if some enterprises and some workers want to get rich first, they cannot rely on the state and the existing national income. The only way to get rich is to rely on massive development of production and to create even more national revenue and thus work hard to get rich. In this sense we can say that the experiences of the countryside are very applicable in the urban areas. In other words, first of all rely on policies, second rely on science. This then is the basic condition for allowing some enterprises and some workers to get rich first. At present, in order to ensure that enterprises have greater vitality in their efforts to develop production, we must continue to relax policies and achieve a definite stability in policies.

Relaxing policies means giving enterprises increased autonomy in the development of production. On 10 May of this year the 10-item regulations published by the State Council concerning increased autonomy for industrial enterprises was warmly endorsed by all enterprises. However, putting this into practice still requires complete sets of policies in various different areas. For example, technological progress represents a basic way in which enterprises can quickly develop production and move toward prosperity and consequently there should be suitable policies and measures to ensure that enterprises are encouraged even more to make use of various kinds of advanced science and technology. Among enterprises in China today, apart from a small number left over from the old society, the vast majority are enterprises constructed during the 1950's and 1960's while only a very small number built in the 1970's and after are equipped with advanced technological machinery and equipment. The majority of these enterprises thus depend on existing technological equipment and conditions and it will be hard for them to grasp the market and get rich first by improving product quality, dropping product costs, and developing new lines. They must take the road to technological reform. The main question facing enterprises today when they consider technological reform is their source of funding. In order to resolve this problem let us consider the following few points: 1) An enterprise's fixed assets depreciation fund should be returned in its entirety for the utilization of the enterprise itself; 2) on the premise of constantly increasing state financial revenues, there should be guarantees that enterprises have a definite amount of profit for retention to be used for developing production; 3) state policies regarding loans and grants (including foreign currency) extended to enterprises for technological reforms, should be relaxed; 4) special policies should be used in the case of small-scale state-run enterprises so that their profits for retention to be used in developing production may increase somewhat; 5) support must be provided for a small number of production enterprises in serious difficulties, whose products represent key areas of development for the state.

Stabilizing policies means that major policies should control minor policies and the various concrete policies drawn up at all levels of the economic bodies must be subordinate to the overall policies concerning the whole of the economy drawn up by the party Central Committee and the State Council. Peasants who are working to get rich fear nothing except that policies will change. It is the same for enterprises and workers as well. Situations in which minor policies drawn up by various departments are not in accord with the major policies of the party Central Committee must be changed. Stabilizing policies does not mean that certain policies cannot be adjusted or changed when major changes have occurred in the overall socio-economic situation or in conditions relating to one aspect of it. However, when the situation changes policies do need to be changed or adjusted we must be cautious and safeguard the fundamental direction of any changes or adjustments to the policies and be toward stability. In this way, when enterprises organize their own development plans, they can consider the long term and be aware of what is ahead so they can accurately select their own road to prosperity.

In order to allow some enterprises and some workers to get rich (that is, in addition to relaxing and stabilizing policies, we should also, more boldly and more courageously carry out fundamental reform of the present urban economic system). This reform should ensure that all enterprises under ownership by the whole people may create a new situation in which they can truly carry out commodity competition as relatively independent commodity producers and can reform and also ensure that these enterprises are also able to carry out individual independent individual responsibility for profits and losses. This, too, is a fundamental condition for allowing some enterprises and some workers to get rich first.

However, today the problem of the economic system binding too heavily and too many of enterprises is rather serious. For example over-administration and over-involvement leaves enterprises at a loss as to what to do and there are thus doubts as to their part as economic bodies. Can we not consider greatly reducing over-administration and extending autonomy on the basis of binding the control of enterprises over to government administration in the central government and in the provinces? In this way the enterprises would be controlled by only one body and one command. In terms of economic interests a direct link still exists between enterprises and those bodies which represent the various levels of state administration and carry out management of all areas of business. This link has been broken and the bodies correctly exercise their function as government administration and managers. Instead it means that because these bodies have permitted themselves to be cut off, some enterprises simply drift along and are extremely depressed. We must boldly cut the direct links between enterprises and those bodies which represent government administration and enterprises become truly autonomous. At the same time in solving the above-outlined real problems, we must allow enterprises to carry out socialist competition. This kind of competition takes place within the state and socialist morals and laws and is only carried out on the basis of the completion of state planning. In the past we always regarded it as a bad idea "big profits mean hard work, little profits mean little work, no profits mean no work" and instead we simply equated it with capitalism and imperialism. We must analyze this question. In order to realize the reform of the

own commodities, commodity producers must always work in such a way as to ensure that they occupy a good position in the market and thus they have to search for positive ways of developing production and management. Socialist commodity producers are no exception. In the past when prices were very irrational and when the various means of economic adjustments were all very incomplete, tendencies in enterprises which reflected the concept "high profits mean hard work, little profits mean little work, and no profits mean no work" often created dislocation between the enterprise and social demand. The key to this question is to achieve a rationalization of the price system and the price management system and establish and perfect an effective system for regulating and surveilling the entire social economy. The socialist system of public ownership of the means of production makes it inevitable that the state, which represents the overall interests of all the people, is able to consciously understand and grasp economic laws and correctly utilize various economic levers in a coordinated way to regulate in a comprehensive sense the proportional distribution of social labor in all sectors, according to social demand and at the same time to ensure that an enterprise's management and administration will increase the enterprise's profits on the premise of ensuring that products are marketable and correspond to social demand. In this way enterprises, as commodity producers, may strive for their own interests while at the same time satisfying social demand and realizing the interests of society.

In order to allow some enterprises and some workers get rich first and thus recognize and safeguard the fact that some major disparities may exist between workers in terms of economic interests. At present the entire country is implementing a system of bonuses without ceilings. This represents a step forward but we still cannot say that it has fundamentally solved the question of distribution according to labor. In order to solve this question we must reform the existing wage system while at the same time encourage enterprises to move toward relatively independent responsibility for profits and losses as soon as possible. The direction of reform is encapsulated in the knowledge that the state must not over-manage things in too concrete a way and thus the powers to increase or decrease individual workers' wages can be handed over to the enterprises. Many years of practical experience have proved that in a country as large as ours which has so many different areas of production and where the level of the productive forces is not very high, in which there are many different forms of labor organization, and in which the economic relations are extremely complex, managing all workers' wages in a centralized way in government bodies, whereby one body announces unified orders to adjust workers' wages, creates enormous problems and offers few advantages. If we simply rely on one body, then we cannot accurately differentiate between various different situations nor can we successfully link up increases in workers' wages with production development in enterprises and the quality of workers' work. What is more, when the state's wage management body announces wage adjustment orders, they always have to be decided on the basis of the financial condition of the state and sometimes when some wages are raised on the basis of actual demand, then the entire situation is a whole lot affected and changed. Thus in the end the only thing to be done is to reform our

disadvantages one by one and this is still "eating from the big rice bowl." By giving the powers to adjust enterprise workers' wages to the enterprises themselves, the state only has to grasp two key problems. One is determining the wage content of unit product value, and the other is levying an above-normal, progressive tax on those enterprises in which wage handouts exceed certain limits. There is no doubt that allowing diversified forms of wages greatly helps promote the development of social production.

Finally, letting some enterprises and workers get rich first also means that we must provide legal guarantees. Some enterprises and workers fear that the old evil elements of prosperity have still not been totally eradicated. State laws should provide clearer safeguards for enterprises' and workers' income. However, then there is a chance some people will try to take illegal actions against enterprises and workers getting rich first. In view of the fact that the apportionments that some regions are now making on enterprises are already far too great and although the central authorities have made repeated injunctions, the enterprises are still in difficulties. If this is not stopped then enterprises simply cannot get rich.

#### Existing Problems Which May Emerge and Action Which Should Be Taken

The emergence of any new thing will always bring with it problems and this is all surprising. On the one hand traditional concepts often result in some people being discriminated against and censured and this thus requires that all mistaken concepts be clarified as far as our ideological understanding is concerned. On the other hand, the advantages and disadvantages of anything that exist simultaneously and thus with the emergence of new things, practice, scientific research, assessment of experiences, and the adoption of effective measures will all ensure that these new things are improved and that their shortcomings are limited to the greatest possible extent. Letting some enterprises and workers get rich first may produce some problems and these problems will be promptly discovered and steadfastly solved. On the basis of our experiences in reform of the economic system over the last few years, it seems that in the coming years we must pay particular attention to the following few matters:

First, if we permit some enterprises and workers to get rich first the very first problem we will come up against is that some enterprises may deviate from state planning in order to fulfill the aim of getting rich and this cannot be tolerated. We must uphold the seriousness of state planning. This involves two matters. First, the state's plans for enterprises must conform with reality, they must be composite, and situations must not arise in which plans are announced but there are no guarantees for raw materials and energy, nor are situations in which plans are announced and the products which are produced simply cannot be sold. If such things occur, then the departments which draw up the plans should bear the responsibility. Second, enterprises equipped with the conditions outlined above must steadfastly complete state plans, otherwise the enterprise leaders will be punished according to the law. Thus it goes, an enterprise often cannot see the overall situation although an enterprise's funds increase it is difficult to avoid repeating construction and



prevent blind production from occurring. If the state does not provide for this, then social wealth may be wasted. Thus the state must strengthen its overall balance of planning and it must in particular strengthen its composite plan when dealing with enterprises which are using their own funds to carry out extended reproduction and technological reform. At the same time there must also be a full and comprehensive use of all economic levers and price incentives when necessary, so that enterprises may run their affairs in accordance with social demand to as great an extent as possible.

Second, if we allow some enterprises and workers to get rich first, it is very easy for some people to make an issue out of consumption and try all kinds of means to transfer funds which should be used to develop production for consumption. This will thus influence accumulation and it will affect reproduction and progress for all of society. The state must control in economic terms the proportions between accumulation and consumption in order so that the social economy runs smoothly and normally. Thus the state must clearly define the proportions between profits for retention and expenditures in enterprises and thus ensure that the growth of enterprises' consumption fund is coordinated with overall social accumulation. As far as the problem of enterprises handing out consumption funds to workers in excess of determined limits, regardless of whether this is done in the form of bonuses or loans, the state must levy an above-quota progressive tax. At the same time it should be realized that by permitting some enterprises and workers to get rich first, the proportion of funds used for consumption throughout society will increase and this is a very good thing and will further promote production. After this proportion of the funds has been invested in the market it will produce a problem in which demand exceeds supply in terms of social products, supplies and social purchasing power. Thus the state should lay greater emphasis on developing production of consumer products. In addition the "three funds" used to solve problems of enterprise and collective welfare facilities, especially those needed to repair workers' accommodations must be developed on a major scale. As the demand for spending expands, those workers who get rich will search for more and more means of enjoyment and thus there must be rapid development in such consumer products as household electrical items and other high-profit products. At the same time the state must also adopt measures to increase influence in consumption and encourage individuals to save.

In conclusion then, letting some enterprises and workers get rich first is a bright path to creating a strong nation with a prosperous population. It can be foreseen that it will create an enormous motive force for the development of China's urban economy and indeed the entire socialist economy and as a result will stimulate far-reaching changes in the political and cultural life of China's entire society.

PROVINCIAL AFFAIRS

NEI MONGGOL: FEDERATION OF INDUSTRY, COMMERCE CONGRESS OPENS

SK210130 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 20 Nov 84

[Excerpts] The 5th Nei Monggol Regional Congress of the Federation of Industry and Commerce opened in Hohhot this morning.

The main agenda of this congress is to study the decision of the CPC Central Committee on reform of the economic structure adopted by the 3d Plenary Session of the 12th CPC Central Committee, to relay for implementation the guidelines of the congresses of the China Democratic National Construction Association and the All-China Federation of Industry and Commerce, to hear and discuss the work report submitted by the 4th Executive Committee of the regional Federation of Industry and Commerce, and to elect the 5th Executive Committee of the regional Federation of Industry and Commerce.

(Jia Guanggui), vice chairman of the regional Federation of Industry and Commerce, addressed the opening ceremony.

The All-China Federation of Industry and Commerce sent a congratulatory message to the congress. Responsible persons of the regional people's congress standing committee, the regional CPPCC committee, and various democratic parties attended the congress to extend congratulations.

CSO: 4006/93

PROVINCIAL AFFAIRS

FEDERATION OF INDUSTRY, COMMERCE CONGRESS ENDS

SK270155 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 26 Nov 84

[Excerpts] The Fifth Nei Monggol Regional Congress of the Federation of Industry and Commerce ended in Hohhot on 25 November.

At the congress all representatives conscientiously studied the document adopted at the 3d Plenum of the 12th CPC Central Committee and the guidelines of the 5th Congress of the All-China Federation of Industry and Commerce, unanimously supported the CPC Central Committee's decision on reforming the economic structure, and pledged to further carry forward the patriotic spirit, to enhance a sense of being masters, to unite the broad masses of the members of the federation and relevant personages in an effort to thoroughly implement the decision adopted at the 3d Plenum of the 12th CPC Central Committee, and to accelerate the reform of the economic structure centering on urban areas under the direct leadership of the regional CPC Committee, the regional government, and the regional federation of industry and commerce. All representatives also conscientiously examined and discussed the work report submitted by the 4th executive committee of the regional federation of industry and commerce and adopted relevant resolutions.

Batu Bagen, deputy secretary of the regional CPC Committee, warmly received the representatives before the congress ended.

After full deliberations and consultations, all representatives elected a new leading organization of the regional federation of industry and commerce. (Yu Jiatian) was elected chairman of the organization. (Xia Guanggui), (Tang Guozhen), and (Liu Yudong) were elected vice chairmen of the organization. (Liu Yudong) was concurrently secretary general.

CSO: 4006/93



PROVINCIAL AFFAIRS

GUANGDONG: GOVERNOR ON PROVINCE'S ECONOMIC DEVELOPMENT

HK210945 Guangzhou NANFANG RIBAO in Chinese 8 Nov 84, p 1

[Article by Liang Lingguang [4731 7227 0342], governor of Guangdong Province: "Guangdong Is Entering the Golden Age of Its Economic Development"--reprinted from BAN YUE TAN No 20, 1984]

[Text] Over the last 5 years, thanks to the implementation of the policy of opening to the outside world and invigorating the domestic economy and to the special policy and flexible measures the central authorities formulated for Guangdong Province, the province's economy as a whole has developed very rapidly, with its total industrial and agricultural output value showing a yearly average increase of 8.9 percent, or higher than the national average growth rate in the same period. The Shenzhen, Zhuhai, and Shantou special economic zones are rising and the two newly-opened coastal cities--Guangzhou and Zhanjiang--and the exploitation of Hainan Island are attracting the attention of people at home and abroad. A scene of vitality and prosperity prevails everywhere in the beautiful and richly endowed Zhu Jiang Delta and other places across the province. Just as people say: Guangdong has entered the golden age of its economic development.

Before the founding of new China, Guangdong was a predominantly agricultural province, with a weak industrial foundation. Since the 1960's, industrialization has been accelerated and a fairly comprehensive industrial base, with light and textile industries as the dominant factor, has been gradually established. In recent years, in opening its economy to the outside world, the province, which borders on Hong Kong and Macao and has a large population of returned Overseas Chinese, has brought its aforesaid favorable conditions into full play, made vigorous efforts to import foreign investment and advanced technology and equipment, and transformed its existing factories and enterprises; and, at the same time, it has set up a number of new modern factories and enterprises which are up to advanced domestic and world standards. The total industrial output value of the province in 1983 amounted to 30.5 billion yuan, representing an increase of 4,800 percent over 1949 and constituting nearly 70 percent of its total industrial and agricultural output value. The total volume of its exports exceeded \$2.4 billion, representing a 180.8 percent increase over 1952. Guangdong Province has placed itself in the front ranks of the provinces (or regions) of the country in terms of the output of its traditional manufactured goods, such as sugar, photographic paper, electric torches, electric batteries and bulbs, padlocks, earthenware

for daily use artistic ceramics, metal and wooden furniture, and fireworks and firecrackers, and of its newly developed products, such as recorders, washing machines, electric fans, refrigerators, and other home appliances. A considerable number of its products are being sold in more than 100 countries and regions in the world. Such counties (or cities) as Zhongshan, Nanhai, Taishan, and Xinhua have doubled their industrial output value in the last 5 years.

With the extensive implementation of the responsibility system linking payment to output, with household contracting as the mainform, the peasants' enthusiasm for production has been aroused and there have been overall advances in agriculture, forestry, animal husbandry, sideline occupations, and fishery. The acreage under grain in the province in 1983 was 3 million mu less than in the early days of new China, but the total grain output had increased from over 14.4 billion jin to 39 billion jin, representing a rise of 170 percent. Rich harvests have been reaped for many years running in sugar, pond fish, live pigs, poultry, vegetables, and fruits. What is more gratifying is that numerous processing factories using materials supplied by overseas firms and township enterprises have been operating in the rural areas of the province and nearly 1 million peasants have "renounced farming but not their native villages" to engage in industrial and sideline production, thus instilling vitality into the rural economy.

The implementation of the policy of opening to the outside world has also brought prosperity to Guangdong's urban construction and tourist industries. At present, from the Shenzhen special zone to Hainan Island and from the Zhu Jiang Delta to the Chaoshan Plain, there is block after block of high-rise buildings rising from the ground and tourist and vacation villages are emerging one after another as the times require. According to the statistics of departments concerned, 75 modern hotels and tourist facilities have been set up or renovated, using a total foreign investment of \$400 million or more, over the last 5 years. Along with this, the state has spent 4.6 billion yuan on the construction of houses for urban dwellers and cultural and educational facilities, thus increasing the floor space of newly built houses by 29.76 million square meters. In the last few years, construction has been carried out rapidly in Guangzhou, Shenzhen, Foshan, Jiangmen, Zhuhai, Shantou, Zhongshan, Meixian, and other cities and, moreover, counties and cities such as Shunde, Dongguan, Kaiping, Taishan, Enping, and Heshan have also become beautiful, offering greater attractions to tourists. The number of overseas Chinese, compatriots from Hong Kong and Macao, and foreign tourists who entered China via Guangdong last year amounted to 8.85 million individual visits.

Over the last 5 years, there has been a fairly great improvement in the living standards of the urban and rural populations. The number of people who have been given jobs recently totals 2.54 million; the per capita income of staff and workers has increased by 62 percent; and the annual per capita net income of peasants has shown an increase of 110 percent, higher than the national average growth rate. With money in hand, people have begun to pay attention to better shelter, food, clothing, and articles for daily use. New houses are being built everywhere in the countryside and in the Zhu Jiang Delta in particular, one-third of the total number of peasant households have built new

houses. The average floor space of peasants throughout the province is 14.6 square meters.

Guangdong Province is the home of overseas Chinese. The support offered by the vast numbers of overseas Chinese is indispensable to the province's development. As early as the founding of new China, a group of patriotic overseas Chinese returned to Guangdong with their wives and children, as well as the money they had saved for years, and set up the overseas Chinese enterprises corporation and the Overseas Chinese Construction Corporation and, in the 1950's, they also set up the Overseas Chinese Investment Corporation, which used the funds of overseas Chinese to run 82 enterprises, such as gunnysack factories, sugar refineries, and cinemas, in the cities and the countryside throughout the province, and, moreover, they also run numerous welfare undertakings in the native places of overseas Chinese. With the end of the 10 years of turmoil and with the implementation of the various policies concerning Overseas Chinese affairs, the enthusiasm of overseas Chinese and compatriots from Hong Kong and Macao for love of their country and native places has been rekindled. According to statistics from the latter half of 1978 to the end of 1983, overseas Chinese and compatriots from Hong Kong and Macao contributed more than 600 million yuan in funds and materials to support the construction in their native places, and built or rebuilt 2,000 universities and middle and primary schools and 100 or more hospitals; they donated large quantities of advanced teaching instruments and medical equipment; and they built or rebuilt quite a few bridges, roads, running water facilities, and scenic spots and historic sites. Mr Li Ka-shing contributed money to set up Shantou University and Mr Guo Desheng contributed money to build the Sun Yat-sen memorial hall in Zhongshan City. Countless overseas Chinese and compatriots from Hong Kong and Macao who contributed money and materials to benefit their hometowns are highly praised by the people in their native places for their magnanimous acts for the public good.

In the last 35 years, Guangdong Province has made great progress but, compared with developed countries and regions, it still has a long way to go. The province will have greater prospects for development in the days to come. Recently, I went to Jiangmen, Xinhui, Taishan, Kaiping, and other counties and cities and found that people were undertaking new projects and opening up new avenues of production everywhere, using imported advanced technology. I believe that the ongoing work in these fields will surely be crowned with more gratifying achievements in the near future.

CSO: 4006/93

## PROVINCIAL AFFAIRS

### GUANGDONG ACHIEVES SUCCESSES IN ECONOMIC REFORM

HK230441 Beijing ZHONGGUO XINWEN SHE in Chinese 1525 GMT 22 Nov 84

[By Fang Yuansheng [2455 6678 3932]]

[Text] Guangzhou, 22 Nov (ZHONGGUO XINWEN SHE)--Guangdong's economic situation this year is better than expected. A bumper harvest has been reaped in agriculture, the total output value of industry from January to September has increased by 15 percent over the corresponding period of 1983, and successes in seven aspects have been achieved in economic reform.

A network and open-style commodity market centered on cities and towns has begun to take shape. According to September statistics units and individuals from various localities throughout the country run more than 300 shops and stalls in Guangzhou and have set up 46 trading warehouses and 10 wholesale centers for agricultural and sideline products. The peasants in the suburbs of Guangzhou have also built and run more than 500 shops in the city. The number of people throughout the province engaged in individual industry and commerce totals 700,000, or 530,000 households, a 55 percent increase over 1983.

A new trend has emerged in the reform of the financial system, which is manifested in raising funds through shares and making full use of social funds. Foshan City established a trust and investment corporation and invited urban and rural inhabitants from within and outside the province to become shareholders. The corporation carried out technical transformation in old enterprises and ran industrial, commercial, and real estate, energy, and communications enterprises. Guangzhou's "commercial town" company limited authorized the banks of issue stocks in order to build "xinhu," "yushan," and "taibai" high-rise commercial buildings. These methods created a precedent in making full use of social funds for the whole country.

The decisionmaking power of state-owned industrial enterprises has been further extended. The Guangdong authorities formulated a 10-point policy on extending the decisionmaking power of enterprises. As a result, industrial enterprises had the decisionmaking power in production and operation, the workers and staff members had the power to democratically elect their directors and managers, and the enterprises had the power to draw the technological exploitation funds and to collect funds by raising money, which enhanced their vitality and strengthened their adaptability and competitiveness in the market.

Initial results have been achieved in the reform of the labor employment and labor insurance system. The Guangdong authorities have always tried to break with the system of the "iron rice bowl" in employing and recruiting workers and have implemented the system of recruiting workers on a contract basis since May 1983. By August 1984, the number of contract workers throughout the province totaled 48,000 people. The reform of the labor employment system required reform of the labor insurance and welfare system. A number of cities and counties established social labor insurance companies one after another to provide social insurance to contract workers.

The system of public bidding has been implemented in the building trade. The reform in this respect initiated in the Shenzhen special economic zone has been popularized throughout the province since the beginning of this year, which has tremendously improved the economic returns in investment. Due to the implementation of the public bidding system, the 110 capital construction projects completed in Guangzhou shortened construction periods by an average of over 20 percent and reduced production costs by around 5 percent.

The system of exporting goods through agencies has been implemented in foreign trade. This is a successful step taken in the reform of the foreign trade system, which put an end to the passive state of a decline in purchases by the Guangdong foreign trade departments. This year, the total amount of purchases by Foshan foreign trade departments can be expected to reach or exceed last year's level.

New progress has also been achieved in the reform of the scientific and technological system. Some scientific research units have implemented on a trial basis the "system of signing contracts with user organizations that list remunerations and introducing the contract system for internal research jobs." The automation control center, the pharmaceutical industrial research institute, and other units in Guangzhou can now finance their activities with their own funds.

## PROVINCIAL AFFAIRS

### HUBEI INCREASES INDUSTRIAL, AGRICULTURAL OUTPUT

HK200350 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 19 Nov 84

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the economic situation has become increasingly better in the province. This year, the total industrial and agricultural output value of the province is estimated to reach more than 50 billion yuan, topping all previous records. In agriculture, the total grain output of the province is estimated at 45 billion jin, exceeding 900 jin in per capita grain output for the first time in the 35 years since the founding of the PRC. Cotton output may reach some 10 million dan, an increase of more than 30 percent over last year. This year the province has also achieved considerably large increases in forestry, animal husbandry, and fishery production.

In industry, the production responsibility system has been widely implemented in industrial enterprises covered by the province's plan, and economic results have thus been greatly raised. From January to October this year, the total industrial output value of the province reached some 28.9 billion yuan, an increase of 12.7 percent as compared with the same period last year. Simultaneous increases have been achieved in output value, profits, and taxes submitted to the state. The targets of the Sixth 5-Year Plan will thus be able to be attained a year ahead of schedule.

Along with the rapid development of industrial and agricultural production, urban and rural markets in the province have become more and more active with each passing day. By the end of October, the retail sales of social commodities in the province reached some 11.5 billion yuan, an increase of 15.1 percent as compared with the same period last year.

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## PROVINCIAL AFFAIRS

### FUJIAN'S HU HONG SPEAKS ON ECONOMIC WORK

OW171029 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 13 Nov 84

[Excerpts] Comrade Hu Hong pointed out at the work meeting of the Fujian Provincial CPC Committee: It is imperative to pay attention to efficiency and results in promoting economic construction in the whole province next year. He said: The economic situation is very good this year as a result of the concerted efforts of all the people in this province.

Comrade Hu Hong called for the fulfillment of four requirements in carrying out industrial and transport work next year; namely activating the economy, opening to the outside world, making technological improvements, and having enterprises stand on their own feet. It is necessary to speed up the import of new technology and the renovation of old enterprises.

He said: In agricultural production, it is necessary to grasp readjustment and development in three aspects. In other words, we should readjust the overall arrangement of various crops, develop township enterprises and family industry, develop a diversified economy, and develop supply and marketing cooperatives in rural areas.

Comrade Hu Hong called on leading cadres at various levels to show concern for people's living conditions, the market situation, and prices. He said: It is necessary to take disciplinary action against or inflict legal punishment on those who take the opportunity of reform to arbitrarily raise prices, disturb markets, interfere with reform work, and infringe upon the interests of the state and consumers.

Comrade Hu Hong also emphatically pointed out: While developing the economic work, we must not slacken our efforts in birth-control work. In order to strive to raise the per capita income of this province's people to the top level in the whole country, it is imperative to grasp both production and birth-control work.

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# AGGREGATE ECONOMIC DATA

## LIAONING INDUSTRIAL OUTPUT VALUE, PROFITS, TAXES

SK200541 Shenyang LIAONING RIBAO in Chinese 1 Nov 84 p 1

[Text] In line with the demands of the provincial economic and technological work conference and of the provincial CPC Committee and the provincial government put forward when they studied problems in economic work, we make public the fulfillment of the industrial output value, profits, and taxes of various localities in the province in the first 9 months of this year. It is hoped that all localities and departments will conscientiously implement the demands of the provincial CPC committee and government and will adopt effective measures to ensure their realization.

Rank Localities	Percentage of Output Value During January-September Period Compared With Same Period in 1983	Percentage of Profits Realized Compared With Same Period in 1983
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Province	10.2	17.08
Dandong	19.5	30.34
2. Liaoning	16.4	7.87
3. Chaoyang	14.7	17.71
4. Shenyang	13.3	22.05
5. Yingkou	12.4	8.77
6. Jinzhou	10.1	16.89
7. Benxi	8.1	-2.6
8. Tieling	7.8	17.46
9. Dalian	7.4	12.47



10. Juxin	6.9	6.82
11. Anshan	6.6	15.8
12. Fushun	3.9	25.01

Rank Localities	Percentage of Profits, Taxes Handed Over To State Compared With Same Period in 1983	Percentage of Estimated Annual Output Value Compared With 1983
Province	11.1	9.44
1. Dandong	20.1	16.2
2. Liaoning	-1.62	13.3
3. Chaoyang	19.86	9.7
4. Shenyang	23.5	10.4
5. Yingkou	8.27	10.4
6. Jinzhou	40.56	8.2
7. Benxi	-7.53	10
8. Tieling	2.01	7.5
9. Dalian	15.04	8
10. Juxin	30.02	3.4
11. Anshan	13.55	10.4
12. Fushun	34.32	11.0

HAN PROVINCE ON HANGSU DEVELOPMENT MODEL

00191253 Beijing XINHUA (010)001010100 (9 May 84)

[Text] Beijing, 19 November (XINHUA)—Henan Province on the Yangtze River Delta, which ranks first in industrial and agricultural output value of all Chinese provinces, is expected to achieve an output value of 95 billion yuan this year, 11 billion yuan more than in 1983, the PEOPLE'S DAILY newspaper today.

Henan's industrial and agricultural output value has grown at an average annual rate of 10.5 percent in the past 10 years. At this rate of growth, the province is expected to double its industrial and agricultural output value by 1988, 2 years earlier than planned, according to the province's Provincial Party Secretary Han Xun.

In its modernization drive, Henan has accelerated its industrial and agricultural output value growth. Henan's original plan to double its output value by 1990 was revised to 1988 and then redoubled output value between 1990 and 1995.

The province's achievements in the past 10 years have been the result of its cooperation with other provinces and foreign countries in restructuring and upgrading of industries and agriculture, according to Han Peixian.

According to the report, Henan's industrial output value will rise 11 percent this year over last year and its agricultural output value will rise 6.5 percent.

The province will continue to develop its light industry, especially the textile and clothing industries, and the food, chemical, electronics, and other industries.

## ECONOMIC MANAGEMENT

### HAO JIANXIU URGES MASS ORGANS TO SUPPORT ECONOMY

OW202353 Beijing XINHUA Domestic Service in Chinese 0752 GMT 20 Nov 84

[By reporter Zhang Chijian]

[Text] Harbin, 20 Nov (XINHUA)--While conducting a study tour in Heilongjiang, Hao Jianxiu, alternate member of the secretariat of the CPC Central Committee, pointed out that trade unions, communist youth leagues, and women's federations must operate around economic construction, and give full scope to their role of restructuring the urban economic system.

Hao Jianxiu visited some factories, stores and nurseries in Harbin, Daqing, and Mudanjiang municipalities in Heilongjiang from 5 through 15 November, and had talks with leading comrades of the local trade unions, CYL and women's federations. She said today, under the new situation of reform, everybody is concerned with the work of trade unions, CYL and women's federations. Experiences gained in Heilongjiang show that, instead of having nothing to do, mass organizations have a great deal of work in restructuring the urban economic system. We must fully realize that economic construction is our fundamental task, and that the operation of trade unions, CYL and women's federations should be reorientated to economic construction, which is the central task. We must proceed from the realities of life, and creatively implement the "Decision of the CPC Central Committee on Reform of the Economic Structure," in accordance with the special features of our work; and we must understand the new situation and sum up new experiences among the masses and in our enterprises in order to create a new situation for our work. Trade unions, CYL and women's federations must make themselves stronger organs, and they must improve their leadership and work style. Party committees at all levels must support the operation of mass organizations, and trade unions, CYL and women's federations must work in close coordination, and support each other.

While in Harbin, Hao Jianxiu visited the Beifang Home Electrical Appliances Plant and the Chunlin Emporium under the Qiongnian Industrial Company. She told the leading comrades of the Heilongjiang and Harbin CYL committees: Young people are the shock force in socialist construction, and their role of being a shock force should be given fuller scope in restructuring the urban economic system. CYL organs should, by means of all kinds of activities, lead the young people to take an active part in reform, do away with outdated

Conceptions, create a new life, and constantly expand the contingent of brave, young reformers. Future enterprises should establish their footing in science, technology, and modern knowledge. CYL organs must guide and organize young people to study assiduously and earnestly.

In Harbin and Mudanjiang, Hao Jianxiu visited a number of enterprises where the directors were operationally responsible. On the work of trade unions, Hao Jianxiu said: Under the new situation of reform, what are the criteria for good or bad performances of an enterprise's trade union? First, we must see whether the trade union has geared its central task to the orbit of economic construction. Second, we must see whether the trade union is doing its work in various workshops, teams or groups. Third, we must see whether the congress of workers and staff members is sound. On enterprises' technical transformation, Hao Jianxiu emphatically pointed out: in expediting technical transformation, it is important to improve the proficiency of the workers and staff members. Trade unions must attend to improving the proficiency of the workers and staff members, to create a competent contingent. In the course of reform, they must publicize, and carry forward, the working class' glorious traditions, and pay attention to the interests of elderly and retired workers and staff members.

After hearing reports on the work of the local women's federations during her study tour in the three municipalities, Hao Jianxiu pointed out: Having done away with the bondage of "leftist" ideas, and given full play to their talents, many women in Heilongjiang's rural areas have become capable proprietors of their own businesses. The restructuring of the urban economic system also provides women opportunities to give full scope to their intelligence, wisdom, and specialties. Women's federations must be eager to meet the needs of women and organize them to study science, technology, and general knowledge, and learn marketable skills. They should promote service trades in cities and provide the necessary services the masses badly need, such as dressmaking, food, and childcare services. They should train nursery workers and teachers, sponsor children's recreational activities, and provide consultative service on children's education; and they should protect the legitimate rights and interests of women and children by providing them legal consultative services.

## ECONOMIC MANAGEMENT

### XI ZHONGXU SPEAKS AT LEGAL CENTER MEETING

OW180805 Beijing XINHUA Domestic Service in Chinese 1230 GMT 17 Nov 84

[By reporters Cheng Wanquan and Wu Huijing]

[Excerpts] Beijing, 17 Nov (XINHUA)--The China Legal Consultancy Center was established in Beijing today. Xi Zhongxun, Peng Chong, Bainqen Erdini Qoigyi Gyaincain, Rong Yiren, and Tian Jiyun, as well as more than 300 related people, attended the inaugural meeting.

Comrade Xi Zhongxun spoke at the meeting. He said: Setting up a legal consultancy center to provide legal consultation service meets a need of the four modernizations and of opening to the outside world.

In order to do a good job in this work, he put forward the need to have a firm pioneering spirit, a spirit of dealing with concrete matters relating to work, a work style of seeking truth from facts, and character of being upright and never stooping to flattery.

The center has an executive committee: Wang Zhongfang, permanent chairman of the Chinese Legal Society, its president of the executive committee and Wang Shuwen, director of the Law Institute of the Chinese Academy of Social Sciences, is Vice president of the executive committee.

0800: 4006/93

## ECONOMIC MANAGEMENT

### JOURNAL ON REFORM, SOCIAL SCIENCES

HK051000 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9,  
20 Sep 84 pp 3-8

[Article by Yu Guangyuan [0060 0342 6678]: "Reform and Social Sciences";  
written in July 1984]

[Text] Reforms require guidance from the social sciences. They also require that social sciences serve them in many different areas and ways. At the same time, in order that many of the branches of the social sciences may develop, the historical experiences of reforms must be assessed. Furthermore, it is only through reforms that social science work can adapt itself to the developments of reforms and satisfy the demands placed on it by reforms.

This, in a very general sense, is the relationship between reforms and the social sciences.

Now I would like to discuss this relationship and the major task that the social sciences have in serving reforms.

#### 1. Proof of the Historical Inevitability and Major Significance of Reforms

We Marxists have made it our historical mission to actively change the world. Our materialist standpoint first and foremost requires research into the objective aspects of historical development, an understanding of the objective trends in historical development, and a grasp of the objective process of historical development. It is on the basis of this understanding that we draw up our own active programs, strategies, and policies. This is the way things were during the period of socialist revolution and it is also the way things are during the period of socialist construction.

One major problem facing our country at the moment is reforms. Today our country finds itself in a period of reforms. The key to building our country into a glorious socialist country complete with the four modernizations lies in reforms. These reforms take place in this period of socialist construction and they serve socialist construction. These reforms are not socialist revolution. "Continuous revolution under the dictatorship of the proletariat" is an erroneous formula which deviates from historical reality and is the theoretical basis of erroneous "leftist" guiding ideologies. It has no relationship whatsoever with the reforms of which we speak today.



The Marxist social sciences serve reforms. The primary way in which this is done is by illustrating that the reforms in this period of socialist construction are the product of history and by proving that the emergence of this phenomenon of reforms is historically inevitable. A topic of research for historical science is the history of socialist countries, which includes the history of the People's Republic of China. It is a task which should be undertaken by historians, economists, political scientists, social scientists, and theoretical Marxists.

The history of socialist countries primarily involves the economic history of the country, which is a research area of extreme importance. In the 70 years or so since the founding of socialist systems on this globe lies a large amount of historical material which needs to be researched and a large amount of historical experiences which needs to be assessed. This research must examine many different questions. Reforms during the period of socialist construction are a very important subject of this research.

It is natural that research into the history of socialist countries be intimately linked with research into the history of the theories of scientific socialism. It is also inevitable that we should trace things back to the origin where Marx and Engels proved that capitalism would inevitably be replaced by socialism and provided proof and evidence of the possibility of the realization of communism. It is also inevitable that we trace things back to the economic and social spheres of the proletariat revolution as put up by Lenin during the period of April 1917. Since we are discussing reforms during the period of socialist construction, we should note that these reforms are taking place under the basic condition of the transformation of the system of private ownership in the means of production and that they are naturally only taking place after the basic establishment of the socialist system. However, when we speak of the historical inevitability of reforms we cannot totally ignore research into the period of transition from capitalism to socialism. Historical research can be done at one specific period of history, but it cannot simply ignore the factors that exist between the period under research and the periods prior to and following it.

Reforms during the period of socialist construction are a global phenomenon. All socialist countries, after having gone through a specific history of development, then carried out reforms. This historical fact of reforms in socialist countries, even though during certain periods certain restrictions prevent the demand for reforms from being brought to the attention of the masses completely, still has a forward momentum. As time passes, the demand for reforms will eventually surface. After the "Cultural Revolution," contradictions became especially obvious bringing up the issue of reforms. Even at the time, the question of whether the reforms have been implemented especially, and the scientific and rational basis of the inevitability of reforms through these demands.

A Chinese social scientist naturally cannot ignore the historical inevitability of reforms during the period of socialist construction. The implementation of reforms means solving a set of problems. The implementation of reforms lies in the solving of contradictions. It will then, of course, be

ed of particular interest today, given the situation of the original author, they are now used to make headway with and solve new problems that are emerging. Contradictions are constantly solved and society constantly improves.

Although this is the way things are, many of the erroneous statements in the original still exist. In the case of scholars' writing on reforms, in this case, such a corrected authors will write in minutes of work per day.

The main question, given the above, is to correct the errors in the original. At the same time, it is necessary to correct the errors in the original, before and after the reforms, before and after the reforms. It was impossible to make such a comparison with the use of actual results. This is a very difficult task, in principle, this is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison.

The reforms are being implemented in many countries. It is possible to find a practical way to the results of reforms. This can then be used as a basis to explain the significance of reforms. However, it is not only the results of reforms, but also the original evidence will be used to explain the results of reforms. This is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison.

## 2. Classification of the Direction of Reforms

First, it is necessary to clarify the direction of reforms. This is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison.

Second, it is necessary to clarify the direction of reforms. This is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison.

Third, it is necessary to clarify the direction of reforms. This is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison. In principle, this is a very difficult task, and it is not possible to make such a comparison.

On the way were: 1) a rational, efficient management of the socialist economy; 2) the content and the structure of the socialist economic system within our country; 3) attitudes towards all non-socialist countries; 4) the economic role of science and the means adopted by the socialist countries to develop it; 5) the role of the national economy and the socialist relations of production established within the socialist economy; 6) the distribution of the social product between production and consumption; 7) the economic role of the state enterprise and the state management bodies; 8) the economic role of the co-operatives at their own initiative within economic organization; 9) the role of the national-style economy of the socialist economy; 10) the role of various social strata, classes and groups should play. Although there were several more or less questions to be discussed, they were complicated and tedious. We should recall the beginning of 1980. Today it seems that again we still are confronted with a lot of questions that have not been solved and in some, in a theoretical sense, these eight questions of theory have not been put into practice. The two concepts of economic reform and reform of the socialist economic system are not fully described in terms of the democracy. As I have already wrote that article I had thought out in general what the socialist economic system should not be. The socialist economic system itself is not a system that the reform and the socialisms have come up with. There are many things to be considered. For example, from these eight questions they might say that the relations between the town and the countryside. The urban-rural relations are an important part of production relations. The question of urban-rural relations indicates the role of the urban cities and the question of urban-rural relations indicates the question of rural cities. The question of industrialization and the question of the urban-rural relations in the socialist economy.

<sup>10</sup> These questions will be discussed in the next section, which is devoted to the question of the relationship between the two different approaches to the question of the role of the state in the socialist economy.

[illegible]



3. Judge the Existing Economic System, Provide an Analytical Marxist Explanation for the New Things to Come in the Reforms, and Implement Design for the New System

The service of political economics in the reforms of the socialist economic system is also multifaceted. One type of such service is for political economics to make a theoretical judgment on the existing economic system and thus clarify the direction of reforms of the economic system. Another type of such service is for political economics to carry out theoretical research into the new things, new phenomena, and new problems that emerge in the reforms of the socialist economic system. Yet another type of such service is for political economics to carry out comprehensive designs for the new economic system, to create new economic forms, and to provide theoretical base.

What we mean here by "judgment" is of course the judgment spoken of in Marxist literature, and what it means is carrying out analysis and confirming those things which should be confirmed and rejecting those things which should be rejected. Someone who is a scientific socialist cannot, when solving problems involved in the progress of socialist society, simply fantasize groundlessly nor indiscriminately use foreign experiences. He or she should use realistic judgment as a foundation.

Research work into new things in reforms is extremely important. It means lending an attentive ear to the voice of practice and exploring the road to progress by means of mass practical experience.

Everyone knows that an accurate grasp of the movement of socioeconomic life is a very difficult thing. All of society is bound within a complex set of relations. Of course theoretical analysis can help us, but practical tests are even more helpful. Social scientists should enthusiastically make investigations, research new things, and carry out Marxist analysis. Since we want to make a Marxist evaluation of these new things and indicate which parts are extremely significant creations, we must foster them and ensure that they get the development they should have. It is not at all surprising to find shortcomings in these new things, so we must help them achieve protection in their development. Some new things have the potential to develop in a bad direction during certain stages of their development. This requires that we provide guidance on the basis of Marxist analysis for those elements that may develop in a bad direction. We should on no account simply refute a shortcoming as soon as we see it. Evaluation of and guidance for new things requires the adoption of a strictly scientific, Marxist attitude. Many new things should also become topics of scientific research. Because these new things are of great significance and because in some cases the questions that they touch on are very complex, a lack of such specialized research will make it impossible to fully reveal their significance and will also make it impossible to fully understand the various aspects and the scope of these new things.

Comprehensive analysis and judgment of the existing economic system and attaching special importance to and carrying out appropriate evaluations of the new things emerging in the reforms will provide us with enormous amounts of scientific material. This scientific material is vital for us when we carry out plans for the new system; that is, the economic system that should exist after the

reforms and the drawing up of such designs should be based on the theories of reform during the period of socialist construction and the concrete reality of China. Only when we have such material will our plan for a new system cease to be a [word indistinct] socialist ideal and become instead a true scientific design.

The drawing up of designs for a new system by the social sciences is not limited to theoretical research. A great deal of investigations must be done into economic and social phenomena. Because our reforms are mainly reforms of the economic system, the most important thing in our research of political-economic theories must be to grasp actual economic situations. When carrying out these designs, all relevant kinds of social technology should be utilized, such as relevant statistical and computing knowledge. In addition, there are also many other questions outside political economics and these must be researched by other areas of the social sciences outside the realm of economics.

#### 4. Indirect Service to Reforms

There is also the indirect service that social science provides to reforms. Reforms are indivisible from the construction of a socialist civilization and reforms are simply aimed at getting rid of all obstacles which stand in the way of construction and creating necessary conditions for construction. Only by carrying out effective construction work in all areas can the results of reforms be seen. To explain this in more detail, we must obtain good results in our discussions before reforms may gain social recognition as a result of having stood the test of practice. Only then can these reforms become consolidated. Thus, not only is it necessary to serve reforms directly, but there is also the question of indirect service. It goes without saying that the scope of this kind of service is extremely broad.

The advantage of recognizing that social science provides an indirect service to reforms is that it ensures that even more social scientists understand the direction of their work and the aims of their work and thus improve their awareness of reforms.

Of all types of work which provide indirect service to reform, the one to stress most of all is education. The role that social science plays in teaching people to improve their understanding of the reform during the period of socialist construction is very important. It provides people with the necessary understanding and knowledge to do good reform work.

#### 5. Marxist Social Scientists Should Be at the Forefront of Reforms, and Social Science Itself Must Carry Out Reforms

The fundamental stance of Marxists is to use class strength to the development of society on the basis of historical and historical development. Since the reforms during the period of socialist construction are historically inevitable and since social science must play a guiding role for reforms, it is natural that Marxist social scientists should be at the forefront of reforms. However, in actual fact not all of them want to become Marxist social scientists or actually do it. Therefore, reforms.



This is not very difficult to understand. Reforms represent a rejection of many things which are in existence at the moment. Since these things are already in existence, they all have reasons for having come into existence and remained until now. There are always some people who take advantage of their existence. It is inevitable that this will be reflected by social scientists.

The following law may be applied to man's thought processes: As soon as any thought or idea is formed, it is not easy to change it. For this reason one often sees people who stick to conventions and get stuck in a rut, with very obviously dogmatic tendencies. In some cases their minds have to a certain extent become ossified. Some people regard with equanimity those things which are blocking speedy development in our country, they totally fail to understand our reforms, and they simply try to nitpick, which is not surprising.

However, true Marxist social scientists should not be like this. Since we all have lived for some time under a socialist system and since we all live in a society full of contradictions, it is possible to say that nearly everyone has to a greater or lesser extent certain ideas and thoughts which should now be rejected and abandoned. This [word indistinct] to firmly handle the reality of the situation facing China today and that we start out from the concrete reality of China and on the basis of the fundamental principles of Marxism, research new situations, discover new problems and questions, and introduce certain concepts which have already formed in our minds in order to develop new concepts.

In order that social science play its guiding role in reforms, its content must be developed. Some aspects of it must even undergo reform. We must ensure that our social sciences become "reformative social sciences" and not "conservative social sciences."

We must use the spirit of reforms for social science research and we should carry out investigations into certain popular social scientific concepts and ideas, seeing whether or not they conform with reality and whether or not they correspond with the spirit and demands of reforms, and on this basis make accurate and sound judgments. We must develop the social sciences on the basis of the demands of reform. Not only are there many branches of the social sciences, such as the political economics area mentioned above, which should be founded on the demands of reforms and which should absorb the results of reforms and thus develop fully, but such is also the case for politics, sociology, and other theoretical sciences. We can expect that the glorious results of reforms will not only be manifested in actual and real work, but also in economic results and social results as well as in theory; in other words, in many valuable theoretical scientific works.

In order to ensure that science guides and serves reforms well and successfully, not only must we use the spirit of reform to research social sciences, but we must also carry out reforms of the organizational work of social sciences. Some situations exist that do not help social sciences make contributions toward reforms. These situations exist in the guidance of social sciences and their

planning and organization, in the evaluation of the results of social science, in the double hundred principle of the implementation of social science research work, and in the maintenance of a democratic and free discussion within social science circles. A reform problem also exists within the social science work system. Today major progress has been made in all areas of work throughout the country and yet few reports have been seen in the area of social science work. Many social science workers are afraid of research work on the question of linking with reality, and they spend far too much time (proportionally speaking, not in absolute terms) in research which is far-removed from reality. The reason they do this is that it is politically safe and it is also fairly "beneficial" in terms of gaining a high academic standing. Naturally, social science workers themselves must carry the responsibility for the development of this situation, but guidance and leadership in social science organizational work may be even more important and thus it is vital that there be fundamental improvements in this area.

As of yet I have not had time to delve into the many questions concerning the relationship between reforms and the social sciences, and at present I can only discuss the points I have outlined in this article.

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## ECONOMIC MANAGEMENT

### ENTERPRISE REFORMS REQUIRE REFORM OF PLANNING

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[Article by Wei Liqun [7614 4409 5028] of policy research office of State Planning Commission: "Substitution of Tax Payments for Profit Delivery, Expansion of Enterprise Autonomy, and Reform of the System of Planning"--written July 1984]

[Text] In the reform of our economic structure, our basic starting point and central task is to correctly handle the relationship between the state and the enterprises, to give full scope to the initiative of the enterprises, to invigorate the economy, and to develop the productive forces in society. To this end, the State Council has recently decided that, starting from the fourth quarter of 1984, the whole country should take the second step in the reform to gradually switch to complete substitution of tax payments for profit delivery, instead of having the two methods in use simultaneously. In order to suit the needs of economic life after the switch, the State Council has also promulgated the "Provisional Regulations on Further Extending the Decisionmaking Power of State-run Industrial Enterprises." This is an important step, taken to speed up the restructuring of the urban economy. The system of planning is the core of the economic structure of socialist countries. The reform of the system of planning is of great significance to the smooth implementation of these decisions of the State Council. We must analyze the new trend in economic life after the switch from profit delivery to tax payments and the further expansion of the autonomy of enterprises, study the new tasks that confront the system of planning, and positively adopt a set of necessary reform measures. This is an important and pressing task.

#### I

A correct understanding of the new changes and new conditions in socioeconomic life after the switch from profit delivery to tax payments and the further expansion of the autonomy of state-owned enterprises is an important prerequisite for studying and deciding on necessary reforms to be introduced in the system of planning. The following is the gist of these new changes and new conditions:

First, the relationship between the state and the enterprises will improve markedly and economic life will become more dynamic and complex. In the past, enterprises were in fact appendages of state organs. They had neither necessary economic independence nor economic interests of their own. Thus, they lacked vitality, which caused economic life to become rigid and stagnant. After the

taking of the second step in substituting tax payments for profit deliveries, fixing by means of laws and decrees the relationship between the enterprises and the state in financial distribution, and paying prescribed taxes to the state, enterprises may retain additional income for their own use. This will fundamentally smash the practice of enterprises eating from "the state's milk" of the state and of staff members and workers eating from "the state's milk" of the enterprises, thus providing a prerequisite for instituting within the enterprises the economic responsibility system. With the further extension of their decisionmaking power, enterprises will, under the guidance of state plans and policies, become relatively independent operational entities combining responsibility, power, and interests. Thus, as prescribed by the State Council, a series of profound changes will take place in such fundamental links as production, circulation, and distribution, and in the methods of management. These changes are to be brought about by adherence to the policy of invigorating the economy, and will promote the development of the productive forces in society. They will by no means weaken the planned economy. On the contrary, they will enable the planned economy to operate more flexibly. We should have a sufficient and correct assessment and understanding of this. We must strive to make our thinking and the management of planning better suited to these new changes.

In the course of these changes, certain new conditions will appear in economic life. We should also pay great attention to them. First, production and circulation not covered by direct state planning will increase, and a portion of the subject to regulation by the market mechanism will further expand. Second, the method of multiple pricing for important products will be widely adopted. At present, there is quite a sizeable flow of currency in the market, and the amount of investment in capital construction is too large, and the market power is very strong. In such circumstances, the price of some important means of production and consumer goods will gradually be raised. Third, enterprises and local authorities will be able to retain more and more funds and surplus for their own use, and there may be an excessive growth in investment in capital construction and in consumption funds. Fourth, due to the fact that the methods of management by the state and the forms of operation differ between enterprises of different sizes, in the face of mounting demand, small enterprises may operate flexibly but are technically backward may make much greater use of them than big enterprises that are less flexible but technically advanced. This will give rise to irrational phenomena, such as technically advanced enterprises being squeezed out by technically backward ones. Fifth, for the purpose of marketing their own products at higher prices outside the plan, some enterprises refusing to accept state plans and orders for goods will increase.

Second, the operation of the economy will depend more on the strength of commodity relations and the roles of commodity relations and the principle of material incentives will be brought into fuller play. In the past, the economy chiefly operated along the direction and channels determined by planned quotas and administrative orders of the state. After the switch from profit deliveries to taxes, this form of operation will remain important. However, as the enterprises are turned over to the state by enterprises becomes more and more flexible, the development of enterprises and the income of their staff members and workers will increasingly be determined by their own performance. This will

enterprises to adopt more effective methods of management and to put more emphasis on profits, market changes, and material interests in production management. This suits the needs of reform and is justified. However, we should also clearly see that from now on the production and circulation activities of enterprises will, to a greater extent, be dictated by the value added. In particular, as the price system is very irrational, there is likely to be a temporary imbalance between the supply and demand for products which are much needed by the community but have a low rate of profit.

Fourth, the reorganization and merging of enterprises will gain new momentum, and new changes will take place in the structure of economic management organizations. After the switch from profit delivery to tax payments, enterprises will no longer turn over their profits to the administrative unit to which they belong. This will be conducive to eliminating unnecessary administrative interference in enterprises by departments and local authorities in the pursuit of their own economic interests, and to organizing production and circulation according to the requirements of large-scale socialized production. At the same time, the levying of value added tax will also help resolve the problem of inequality of tax burdens between "all-purpose factories" and those that are not, which is not conducive to the reorganization and merging of enterprises and to coordination among specialized departments. This problem arises because some industrial products, such as mechanical and electrical appliances, farm implements, rolled steel, and textile products, have many intermediary links and a complicated organization in production, and thus, they involve after every processing step. There is much room for decreasing the number of intermediary economic units and for carrying out mergers and reorganizations between specialized departments. More and more companies and economic organizations of various forms with the status of economic entities will be set up. This will lead to changes in the functions and role of departments and local authorities in economic management. Economic organizations will play an increasingly important role in planning and management.

Fifth, the readjustment of the state financial structure is imperative under the circumstances, and improvements will be made in the relationship between the central and local authorities. With the steady source of revenue of enterprises and the system of tax payments in place of profit delivery, both the central and local authorities will be able to plan their expenditures according to the amount of funds at their disposal and the tasks they undertake to fulfill. This will mean some obvious changes in the scope and amount of revenue and expenditures at the central and local levels, and in the planning and management activity at various levels, which is determined by the scope and amount of revenue and expenditure.

The switch from profit delivery to tax payments and the granting of more autonomy to enterprises have effected a new breakthrough in the reform of the planning system of the urban economy. They indicate that the reform of the planning system in our country has entered a new stage, and that the pace of the reform will be quickened. They constitute a driving force, an incentive, for the reform of the planning system.

## II

The new changes and new conditions that come about in our socioeconomic life after the second step of the reform to replace profit delivery with tax payments and the further expansion of the autonomy of enterprises will pose numerous new problems for the current system of planning.

1. Excessive and rigid control by the state (including departments at the central level, local authorities, and relevant leading departments at the local level) will not suit the need to develop enterprises into relatively independent economic entities. There are two notable drawbacks in the present system of planning: 1) it is overcentralized. Relying on mandatory planning, the governments at all levels exercise excessive and rigid control over the supply, production, marketing, manpower, and financial and material resources of enterprises. 2) It puts undue emphasis on control. Essential regulation by the market mechanism is lacking, and every effort has been made to confine the activities of enterprises within prescribed frameworks. This form of planning and management has many drawbacks. It not only prevents enterprises and their staff members and workers from displaying their initiative, but affects the balanced development of the national economy. Some changes have been made in recent years. But, on the whole, very few changes have been made in the old framework. After the switch to tax payments and the further expansion of the autonomy of enterprises, contradictions are bound to arise between the economic activities of enterprises that have become relatively independent economic entities and the present system of planning. These contradictions include: 1) The contradiction between the exercise of statutory and independent decisionmaking power by enterprises, and the excessive scope of state control through mandatory planning. 2) The contradiction between the right of enterprises to decide on what to produce, what not to produce, and how much to produce according to the country's needs, market changes, and their own interests, and the unitary system of mandatory planning by the state. 3) The contradiction between enterprises and local authorities having more and more funds and materials for their own use, on the one hand, and the fact that the state uses only planned targets as a means of control, and has ineffective regulatory methods and measures, on the other. 4) The contradiction between the expanded scope of activities subject to regulation by the market mechanism and the fact that the scope of overall balance is too small, that is, it only concerns itself with financial and material resources directly controlled by the state.

2. The traditional system of planning and management and methods of drawing up plans do not suit the flexible and varied forms of operation of enterprises. For a long time, enterprises were regarded as beads on an abacus, because they could only "move" when "moved." Basically, they were subject to arrangements dictated by specific targets of the state plan in all their production and operation activities. Thus, the form of operation was the same everywhere and was rigid. At the same time, it was traditionally thought that the idea of having a state plan was to run the economy by allocating investment and materials and by fixing concrete targets. It was thought that only in this way could we ensure the proportionate development of the national economy. Thus, enterprises were put under planned management through the handing down



of concrete planned targets, set once a year. The method of setting targets often ignored economic activities in operation. Based on historical and empirical data, such targets have been chiefly calculated and set based on a progressive rate according to the "level method" or "base method." The system of planning and management and method of planning not only ignores the initiative of enterprises but causes state planning and management to be insufficiently scientific and feasible. We must work out new ways and means to improve the traditional system of planning and management and to draw up plans so that they will encourage enterprises to develop on their own accord and at the same time ensure the well-coordinated and steady growth of the national economy. Obviously this is a very important task confronting the system of planning.

6. The practice of laying undue emphasis on administrative means in the management of the economy does not suit the expanded scope of production under the market mechanism and changes in the way the economy operates. After the switch to tax payments and the further expansion of the autonomy of enterprises, enterprises will pay attention to carrying out production and operation according to the objective requirements of the law of value and law of supply and demand. At the same time, due to the functioning of market and economic mechanisms and the quickening of the economy, the desire of enterprises for uniform market information and state economic policies is growing with great rapidity. Under such circumstances, continuing with the method of enterprises "shoulder" planned tasks by administrative means will no longer suit.

7. The structure of planning organizations are somewhat disordered according to vertical administrative system and do not suit the extension and lateral communication and changes in the structure of economic organizations. The present system of planning and management in regard to enterprises was established on the basis of the integration of government administration with enterprises. Although it has many merits, it is full of defects. After the switch to tax payments, the economic relations between the government and the enterprises will be separated. Lateral communication and various economic organizations will play their own roles. Under such conditions, improving the unified planning and management, the coordination and organizing and development of the socialist unified market and the important task in the reform of the planning system. At the same time, the present setup and mode of operation of existing planning departments will be unable to keep in step with the changed needs of economic management. The socioeconomic ties that have been made very complex.

8. The lack of clear-cut jurisdiction for planning and management between the central and local levels does not suit the level-by-level financial management system. The economic union differentiates between the central and local levels. After the switch to tax payments, both the central and local levels will have sources of revenue. The division of the functions and responsibilities between the central and local levels in financial management will also be different. The present system of planning and management in the country will be unable to be readjusted.

9. The government must take the necessary steps to improve the planning system. In order to improve the system of planning and management, we had not created the necessary conditions. After the switch to tax payments, the government must take the necessary steps to improve the planning system.

enterprises, effective measures must be taken to reform the system of planning. Otherwise, the work of planning will become passive, and its contradictions with reforms in other fields will be magnified.

### III

How should the system of planning be reformed in accordance with the need for switching to tax payments and giving enterprises greater autonomy? This should be approached from two angles, namely, the liberation of social productive forces and the rational organization of the economy. "Flexibility" and "control" should be organically combined. At present, we should concentrate on devising more ways of enlivening the enterprises. At the same time, we should scientifically organize economic activities as a whole, and use economic levers to guide and coordinate the movement and direction of economic activities. Generally, we should correctly implement the principle of ensuring the leading role of the planned economy, supplemented by regulation by the market mechanism, and see to it that we can truly keep a firm and solid grip on major aspects while allowing flexibility in minor ones. We should closely combine the enthusiasm and initiative of enterprises with the unified and planned nature of the economic activities of the whole country, and fully bring into play the superiority of the socialist planned economy so as to speed up socialist modernization. These are our basic starting points and considerations in reforming the system of planning and in the restructuring of the whole economy. Based on this understanding, and in order to complement the reforms to substitute tax payments for profit delivery and to give enterprises greater autonomy, we should pay great attention to the following major aspects in the reform of the system of planning:

1. Correctly institute a system whereby the state (including the central and local authorities) and the enterprises separately make decisions on and manage planning. The extents and limits of unified and separate management should be clearly defined. The state should allow flexibility at various levels when necessary, and exercise effective control where necessary. After the switch to tax payments and the further expansion of the autonomy of enterprises, a system whereby the state and the enterprises separately make decisions on and manage planning will objectively exist in economic life. We should proceed from the unified nature of state planning and the independent nature of enterprise planning in defining the extents and limits of the power of the state and the enterprises in making decisions on and managing planning. In principle, state planning should deal mainly with major issues, and properly organize and plan economic activities that affect the development of the national economy as a whole. As far as possible, enterprises should be allowed to make decisions on and manage activities with respect to supply, production, and distribution, as well as economic ties of a general nature. In order to ensure that unified decisions concerning the whole economic situation and the balance of state planning can be put into effect, economic activities of enterprises that have a direct bearing on and play an important part in the activities of the whole economy should be decided on and managed through state planning. As for activities that do not affect the whole situation, particularly activities of production, circulation, operation, and management, the power to make decisions on and manage them should be handed over to enterprises. Special measures in the reform

--with respect to the direction of development of state-owned enterprises, particularly large and medium-sized ones, and their bounded duties and obligations to society, the power to make decisions chiefly rests with the state. This is to ensure the coordination of major economic sectors and the essential rates and goals of development. Under the prerequisite of fulfilling the principles, policies, and mandatory tasks set by the state, enterprises have the power to make decisions on specific activities of production and distribution.

--with respect to important means of production and consumer goods that are vital to the nation's economy and the people's livelihood, and certain important products that are always in short supply, a large part of their production and circulation activities should be subject to state planning. As regards the production and circulation of numerous other products, including those important products that can be marketed by the enterprises themselves, arrangements are to be made by the enterprises.

--with respect to important products and products that may affect market fluctuations, the power to fix and adjust prices (including unified prices and the issue of price floatation) and the standards for collecting service charges rests with the state (to be determined in accordance with the management jurisdiction of the central and local authorities). In regard to those important products that can be marketed by the enterprises themselves, as well as important products in general, prices are to be fixed by enterprises within the limits prescribed by the state. For products not covered by state planned pricing, the power to fix prices rests with the enterprises.

--the power to determine and adjust the amount of allocation and utilization ratios for various funds set up through the use of taxes and profits (including funds for developing production and trial-manufacturing new products, reserve funds, workers' welfare funds, and funds for expanding staff members and workers) rests with the state (to be stipulated by relevant financial departments). Specific use of various funds is to be decided by the enterprises themselves.

--extension and new production projects financed by enterprises with their own capital, with bank loans, or with joint capital but which exceed state limits (central or local) must be approved by the state. As regards investments for replacing or updating existing fixed assets, or for closing the gaps between interrelated production links and within auxiliary production links, particularly small investments for tackling problems relating to quality and variety of products, social ills, and the standard of comprehensive utilization, and investments in such nonproductive projects as housing for staff members and affairs, decisions are to be made by the enterprises themselves. Enterprises can also use their own funds to develop various forms of joint, separated or cooperative ventures and compensation trade, or even to carry out foreign trade.

--contracted numbers of staff, wage standards, and substandard allowances for enterprises, as well as progressive tax rates for the total amount of wages and bonuses are to be determined in a unified way by the state. Enterprises can also make their own decisions regarding forms of and methods for the incentive of workers, bonuses, and welfare funds.

It should be pointed out that these are just rough divisions. Because economic activities are exceedingly complicated and varied, and because the scale and mode of operation of enterprises differs, we should not simply draw a uniform and fixed line of demarcation between unified management through state planning and separate management through enterprise planning. Instead, timely and appropriate adjustments should be made according to actual conditions. Through clearly defining the scope and limits of the power of the state and the enterprises in making decisions on planning, and differentiating authority over major aspects system will fix the content, subjects, and scope of planned management of enterprises by the state. This will truly facilitate our keeping a firm grip on major aspects while allowing flexibility in minor ones.

2. Reduce the scope of mandatory planning and further expand the scope of guidance planning and regulation by the market mechanism with a view to allowing enterprises greater flexibility. The basic spirit of the reform is to substitute tax payments for profit delivery and to further expand the autonomy of enterprises is to boost the initiative, flexibility, and vitality of enterprises. To this end, it is necessary, whether in the fields of production, circulation, and distribution, or in the development of capital construction, technological transformation, science and technology, and culture and education, to resolutely reduce to the minimum the scope of mandatory planning and to expand the scope covered by guidance planning and regulation by the market mechanism. For example, in planning industrial and agricultural production, mandatory planning should only be applied to purchase quotas for a few important agricultural products and production quotas for a few important industrial products subject to unified distribution and allocation. In all other cases, guidance planning and regulation by market mechanism should be implemented. In order to strictly control the scope and limits of mandatory planning, the present practice, where both central and local governments and relevant departments can hand down mandatory plans to enterprises, must be changed. The power to fix the scope and limits of mandatory planning should be concentrated in the hands of the central authorities and in the hands of provinces, municipalities directly under the central government, and autonomous regions. As regards economic activities of a general nature, particularly minor ones, it is necessary to gradually expand the scope of regulation by market mechanism under the guidance of state plans wherever possible so as to promote supply and enlarge the economy, and develop production. The division of management into mandatory planning, guidance planning, and regulation by the market mechanism should chiefly be based on the degree of importance of the products and the economic activities, not on the scale of the enterprises. In this way, every type of enterprises, including large and medium-sized ones, can have greater autonomy. This will increase the incentive, responsibility, and vitality of all enterprises.

3. Pay greater attention to setting up a new system for striking a balance between national and local economic development, the role of unified state plans in the national plan. In this connection, we must do well in the following two points. First, we must work hard at striking a balance between production and consumption in the whole country, and between the overall balance of the national

In a new situation, where economic life is becoming more and more active, the scope covered by guidance planning and regulation by the market mechanism is expanding, we must consciously and constantly maintain the controlled development of production in the whole society and create conditions for driving out the vitality of enterprises. In order to do this, we must regulate the scope of overall balance through state plans and achieve a unified and planned balance of economic activities regulated by planning (including macro planning and guidance planning) or by the market mechanism. Second, we must consciously strike an overall balance among mandatory state plans (including plans for key production and construction projects and for the people's livelihoods) and set up a system for this. This is the core of economy planning. If we can strike an overall balance in this regard and ensure its fulfillment, we will be not only able to effectively organize and control the entire economic situation but also able to allow greater flexibility in economic activities of a general nature. Third, we must change the past practices of stressing static balance at the expense of dynamic balance, and stressing the balance of targets at the expense of the balance of economic flows (neglecting the changes in economic policies and economic levers) and combine static balance with dynamic balance and the balance of targets with the balance of means. In particular, we must strengthen the balance of means targets and strictly control the proliferation of demands that are backed by an ability to pay. At the same time, we must pay attention to leaving room for reserves when working out plans so that we can promptly guide and control the direction of development. Fourth, we must truly institute a system of planned balance that can bring about balance and harmony in relations among and at various levels, and implement the principle of unified planning and administration by different levels and the setting up of a planned responsibility system at each level. Fifth, we must establish an interlocking system of planning balance charts for various kinds of plans in order to make them play the important role of balance charts in guiding and organizing economic activities.

1. Reform the traditional system and method of planning and increase the flexibility and effectiveness of state control through planning. In regard to the reform of control through planning, we must change the present practice of "one-level planning" and carry out "two kinds of planning" characterized by "a single account" and "the single-track system." In working out and implementing plans, the state must clearly divide plans into "key plans of a plan," "mandatory planning and guidance planning." The first kind of plan refers to mandatory planning that covers important economic activities related to the country's economy and the people's livelihood. Plans of this kind will be fairly completely determining and their implementation can be guaranteed. The second kind of plan refers to guidance planning that covers regulated economic activities. Plans of this kind will be more flexible and will be carried out mainly by planning departments at various levels according to guidelines. Tasks and targets will be determined according to the overall balance and higher and lower levels will comply with the overall balance. At the same time, we must change the present practice of making all plans are made by one authority and make them be made by different levels. In both mandatory and guidance planning, we must carry out the reform of "a single account" and "single-track system" and







and economic norms of enterprises according to reasonable norms and standards, reexamine the productive capacity and production funds of enterprises, and base contract planning on scientific norms in order to better handle the interests between the state, the collective, and the individual.

After the switch to tax payments and the further expansion of autonomy, the enterprises will be able to develop production and operation flexibly on their own initiative. In order to suit the needs of this situation, the state must simplify its annual plans, improve the method of drawing up annual plans, and give the enterprises greater autonomy in this regard. It may also consider the possibility of gradually implementing, in the enterprises, particularly in large and medium-sized key enterprises, a system of control through planning with a 15-year rolling plan at its core. This will enable the enterprises to make long-term plans and set long-term goals for developing production and operating activities.

5. Improving the system of regulation through planning and more consciously and extensively make use of economic and legal means to manage economic affairs. In the planned management of a socialist economy, appropriate administrative means are indispensable. However, administrative means must have their economic basis and conform to objective economic laws. In economic life, lateral ties are expanding and are becoming more and more complicated. In order to give full play to the positive role of commodity-money relations, we must more frequently apply economic means and consciously make use of the law of value in carrying out control through planning. To this end, we must interrate "planned targets with economic policies and economic levers" so as to turn the application of economic policies and economic levers into an important organic part of state planning at various levels. In particular, we must make use of economic levers throughout the entire process of formulating, coordinating, and executing plans. In order to effectively fulfill the goal of unified state planning, it is necessary to bring into full play the role of economic levers in guidance, coordination, balance, linkage, supervision, and control. At present, there are three principal tasks to be grasped. First, government departments at all levels should set up as quickly as possible organs charged with the task of applying and coordinating economic levers so as to forge closer ties between the work of planning and the role of economic levers. These organs will be led by planning departments and will have the participation of financial, taxation, banking, pricing, materials, and labor departments. Second, in accordance with the principle of unified leadership and planning and level-by-level decisionmaking and management, it is necessary to rationally readjust and define the limits of jurisdiction and responsibility of central and local authorities in applying such economic levers as pricing, taxation, credits, and financial subsidies. This will help preserve the coordinating nature, flexibility, and effectiveness of economic levers. Third, the operational functions of materials and commercial departments must be strengthened. They must be able to actively take part in exchange and circulation in various types of trading centers, markets and towns and to purchase and sell, or to purchase commodities at the market like with a view to controlling market prices and guiding and regulating production and circulation in the

we must effectively strengthen the work of economic and technological forecasting and set up a better system of information feedback. To do so, it is necessary to energetically develop in different government departments, trade economic units (enterprises and companies), and mass academic organizations, economic and technological intelligence and information systems. Departments of planning, statistics, banking, and industrial and commercial administration, from the central down to the local levels, must attach importance to the work of collecting, analyzing, collating, distributing, and storing economic and technological forecasts and information. All kinds of associations, societies, research institutes, financial colleges, companies, integrated bodies, and enterprises must extensively develop economic forecasting, information delivery and counseling services and step by step set up a system of paid services. We must also set up as quickly as possible a multilevel and multichannel economic and technological intelligence system and information network that covers the whole country and all aspects in order to meet the needs of the new situation after the enlivening of the economy.

Strengthening the work of economic legislation and supervision in an all-round way is a most pressing and important task for us. After the economy has been enlivened, economic legislation and judicial work must be greatly strengthened so that the enlivened economic activities will have something to abide and will not get out of hand. Our most pressing task is to formulate and promulgate as soon as possible economic laws and regulations covering such aspects as production, pricing, labor, and capital construction investments. We must also further establish and improve the system of economic supervision by taking as the main measures to replenish and strengthen department of auditing, finance, statistics, banking, pricing, and industrial and commercial administration at various levels, as well as departments responsible for standards and measurements, so as to bring into full play their role in supervising economic and technological affairs.

We must also promptly adopt the measures of "dredging" and "obstruction" to strengthen control over capital construction investments and consumption funds through planning. After the switch to tax payments and the further expansion of the autonomy of enterprises, more and more funds and materials will be left in the hands of the enterprises and local authorities. In the new situation, in order to fully arouse the enthusiasm of the enterprises and the local authorities, while checking and guarding against the uncontrolled growth of capital construction investments and consumption funds, we must effectively carry out control through planning. On the whole, we must not rely strictly on administrative means but must adopt guidance measures. We must not rely mainly on administrative means but must make use of economic means. Specifically, we must:

1. Generalize the control of capital construction investments through planning on the one hand, the state must regularly make known to the public the development of the national economy, including the technological and economic developments in various industries and the situation regarding capital construction investments and the market. It must also promptly reflect

investment policies so that enterprises will have something to go by when mapping out operational plans. With respect to those industries and products that need to be developed, standards and requirements regarding technological and economic levels must be clearly defined so as to provide the enterprises with a basis for making decisions on planning and for the use of funds. In this way, we can guide investments by enterprises and localities in a rational direction and thus avoid blind construction. On the other hand, we must bring into full play the role of the banking, taxation, and other departments that act as economic levers in guiding and controlling the use of self-raised funds. The state must clearly specify in its intermediate and short-term plans the total amounts of investment loans to be provided by banks. This will include the limits and terms of credit for certain departments and enterprises, so that investments by enterprises and localities can be guided to those areas most urgently needed by the state and the people. In this connection, we may draw on the experience of Hungary. In that country, banks will only offer loans to enterprises on the condition that the investment projects must give a guaranteed profit rate of 10 percent in the commercial field and 8 percent in the field of processing industries. No loans will be offered if this requirement is not met. At the same time, an enterprise must deposit an amount equivalent to 30 percent of the investment in the bank before it is entitled to apply for a loan. In investment projects decided on by the enterprises themselves, 35 percent of the funds must be already available, and bank loans can only account for 25 percent. Enterprises must repay 15 percent of the loans each year. A 10-percent interest penalty will be imposed by the banks on overdue payments. At the same time, we must bring into play the role of the state in guiding and controlling the direction of investments. In the light of specific conditions at different periods, it is necessary to lessentheir and investment taxes on construction projects financed by the enterprises and localities themselves. We must also make timely readjustments in the rates for building and investment taxes. New tax categories may also be introduced. In addition, the state should also introduce a system of fixing standards and issuing permits for building factories, and practice a system of issuing permits for the production of important products. In certain commodities and in the production of important products, it should be necessary to obtain approval and permits from relevant leading departments as required in the future before actual construction and production may commence. In order to effectively control the unplanned growth of self-raised funds, the state should also stipulate that it has priority in buying or ordering, at floating or preferential prices, important means of production to be marketed by the enterprises themselves. In this way, the state will be in a position to control the amount of important materials, to provide an effective guarantee for the enterprises, and to reduce duplicated construction in a situation where investment projects are sold at a variety of prices.

concerning the control of consumption funds through planning: 1) In the light of specific conditions in different industries, the state should rationally fix the proportion between increases in wages and bonuses for state workers and workers and the performance of enterprises in production and operation. It will not only guarantee a gradual improvement in the people's livelihood and consumption growth, but will prevent wages and bonuses from

growing at an unduly fast rate. It is also necessary to universally introduce and improve a system of levying progressive regulatory taxes on wages and bonuses, and to levy regulatory taxes on those who have a high income in excess of a given limit. 2) In accordance with the principle of "enterprises contributing the larger share, individuals contributing a small proportion, and the state providing subsidies," it is necessary to extensively set up social insurance funds and improve on the retirement system, so that workers will also have to shoulder part of the responsibility for protecting their future life during the time they are employed. This is necessary for enlivening the economy, encouraging competition among enterprises, and smashing the system of "everybody eating from the same big pot." It is also an important form in the establishment of a consumption funds savings system. 3) We must energetically develop a savings system for the purchase of special commodities. Examples of this are savings for purchasing residences and for purchasing durable items like television sets and refrigerators. We must also energetically develop various kinds of service industries so as to guide and regulate the use of consumption funds, improve the consumption pattern, and reduce the pressure on the production and supply of certain consumer goods. As to those people who have become better-off, it is necessary to guide them to correctly put their surplus funds into developmental production.

The above discussion concentrates on those aspects of the planning system that ought to be reformed after the switch from profit delivery to tax payments and the further expansion of the autonomy of enterprises. There are also other aspects which urgently need to be studied and which call for correct reform measures. These include the adjustment of the jurisdiction of the central and local authorities in carrying out control through planning, the correct handling of the relationship between departments and regions, and ways to bring into play the role of key cities and to improve the organizational structure of planning control. Due to limited space, they cannot be discussed here.

LAND LEASE, COMMODITY PRODUCTION DISCUSSED

HK180852 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 84 pp 39-41

[Article by Yu Qingbo [0060 3237 3134] of the Jilin Provincial Institute of Planned Economy Research: "Land Lease and the Development of Commodity Production"]

[Text] People usually associate the term "land lease" with the exploitation of peasants by the landlords. This is the reason they detest this term. Whenever they want to express this idea, they prefer to use a phrase other than "land lease." However, judging by the existing form of production in the countryside and exchange relationships, land leases, be they differential land leases or absolute land leases, still exist.

In the spring of 1983, a production brigade in Jiutai County, Jilin Province (hereafter referred to as Brigade A) transferred all its land to a neighboring brigade (hereafter referred to as Brigade B) for cultivation, on the condition that Brigade B turn over to the state the tax due in regard to Brigade A's land, sell the grain for Brigade A, and give each individual in Brigade A a grain ration of 520 jin, which is equivalent to giving Brigade A 260 jin of rice per mu. During the process of transferring the right of land use from Brigade A to Brigade B, Brigade A gave up its right to land use in exchange for 260 jin of rice per mu, whereas Brigade B agreed to give Brigade A 260 jin of rice per mu in exchange for the right to land use. What was the nature of such a deal? Judged from both its form and contents, it should be considered land lease. In other words, the conditional transfer of the right to land use is by nature land lease. In making such a decision, neither brigade proceeded from theory or policy. Instead, they proceeded from their own actual needs and economic interests. For years Brigade A's annual production of rice was around 350 jin per mu, but the inanimate labor and animate labor it used were in no way less than those used by highly productive brigades. After deducting costs, the profit was so trivial that it sometimes failed to make up any deficits. By transferring the cultivated land to Brigade B for cultivation, Brigade A received 260 jin of rice per mu. Not only did the level of grain ration surpass that of previous years and was its inanimate labor saved, but its labor forces could be shifted to other types of production. Brigade B's production of rice on the land, which was basically similar to that of Brigade A during normal years, nonetheless managed to reach nearly 1,000 jin per mu. After deducting the agricultural tax, production costs, and payment of 260 jin of rice to Brigade A, Brigade B still had about 400 jin of rice for its labor company. 100% of the surplus was an outlet for Brigade A's excessive labor forces.

The following terms of the transfer have been agreed upon:

1) Party A transfers its contracted land to Party B, who will develop the land. In return, Party B gratuitously subcontracts Party A to build 100,000 sq. m. of grain rationing at a reasonable price. To Party A, the land is transferred from Party B by paying 10 percent of a reasonable price. Party B gratuitously supplies Party A with 100,000 sq. m. of grain rationing. Party B subcontracts its land to Party A, who will develop the land. Party A transfers its contracted land to Party B, who will develop the land. In return, Party B gratuitously subcontracts Party A to build 100,000 sq. m. of grain rationing at a reasonable price. To Party A, the land is transferred from Party B by paying 10 percent of a reasonable price. Party B gratuitously supplies Party A with 100,000 sq. m. of grain rationing. Party B subcontracts its land to Party A, who will develop the land.

A common feature shared by the entire class of phenomena is that, for which, though diverse in form, one can find the same law, namely, on the basis of labor, production of surplus value. It can be seen that Party A asks at Party B to labor for 1000 and that the amount of contracted land is 1000 yuans.

What is the relationship between the development of the population and the development of countries? (10/1/2019)

It is known that commodity production has had a tremendous effect on the development of world history. Commodity exchange, the world economy, has achieved a degree of development in addition. Commodity created during the past three decades in the world's commodity market has far exceeded the sum total of all commodities produced in the world. China has just entered into a new era of commodity production. The national economy has greatly developed since the founding of the People's Republic, when compared with that of the pre-revolutionary period. Commodity production in the new era has developed rapidly. The state has partially achieved commodity production. The party Central Committee has issued a decision to develop commodity production in the countryside and to let the peasants develop commodity production. It is evident that the commodity production is developing the rural economy, structure and the commodity production.

[illegible]

Chips's current production is given by the following agricultural production function:

$$Q = 100L^{0.5}K^{0.5}$$

the number of bushels of wheat produced is given by the following production function:

$$Q = 100L^{0.5}K^{0.5}$$

supplied to the market. The cost of labor is \$10 per hour and the cost of capital is \$20 per hour. The firm's total cost function is given by:

$$C = 100L^{0.5}K^{0.5}$$

put into a table with the following data:



Land which is presently scattered among various households will consequently be centralized in the hands of those competent peasants who are interested in farming. The tempo of land centralization will certainly mark the speed of the development of rural commodity production. There are, of course, the factors which will direct the process of land centralization, for instance, intellectual development, the accumulation of capital, and the history of the small-scale peasant economy. However, the existing land tenure question is one of the factors that has a relatively large effect on land centralization.

As the basic means of production, cultivated land should be owned by collectives. Each member of a collective has the right to usufruct usufruct of his collective's land. The reason each member would accept this is that it brings his economic benefits apart from his income through labor. That is, extra profits from land products when the organic composition of agricultural capital becomes less than that of average social capital. Although the peasants do not pay much attention to extra profits, they will not stand idly by according to the current yields and prices. They will try to improve their production and resources are invested in their land. After deducting the compensation of infinite and immediate labor. It is not a surplus which enables the land products to be carried out according to the needs of family members and the amount of labor. It is also such surplus value from thousands of households with a specialized labor force, a specialized production specialization. Since they are reluctant to lose their land,

As mentioned above, conditional transfers of land have been made in some localities. However, they have only made up a very small part of the land which really needs transferring.

Shall we adopt the following different ways to overcome land shortage and speed up the development of rural commodity production?

First, different standards will be adopted in different localities. Land will be transferred (leased) to competent member peasants or teams in villages (or their villages or cooperatives) which enjoy land ownership. The land rent collected by a collective will be distributed equally among all its members. By so doing, large lot land management will be promoted because through differential land leases, contractors of high quality land will get their proper share and each lot of land will not have to be split up into subsections in which there are pieces of high quality land and pieces of low quality land. The ability and enthusiasm of the peasant peasants will be given full play. Members who have high productivity will be able to have a definite amount of extra profits.

Second, land which is reverted to the collective by peasants who have signed contracts for transfer it will be centralized and then transferred flexibly to those who have surplus farming capabilities. The land rent collected by the collective will then be transferred, according to the amount of land given up, to those who have given up their land. This move will help maintain the signed contracts. Apart from the transfer itself, all conditions of land will remain unchanged. However, it does not help to solve the land shortage problem.

Third, land to be transferred and equally distributed by a certain number of family members and amount of labor can be freely bought and sold at a price and in such quantity as decided by both contracting parties. The state will not intervene provided that both parties have signed contracts and will fulfill their obligation to both the state and the collective. This system is natural and flexible, serves to cope with the changing conditions of the country.

No matter which of the above schemes is adopted, the land shortage problem will be solved. First, the process of centralizing the land in the hands of peasants will be speeded up and the economic results of land use will be improved overall. Since the implementation of the above schemes, the annual yield has continually increased. Second, the peasants' investment, technology, and management will be improved. Third, the peasants will be able to reach the local level. Fourth, the peasants will be able to reach the national level. Fifth, the peasants will be able to reach the international level. Sixth, the peasants will be able to reach the world level. Seventh, the peasants will be able to reach the global level. Eighth, the peasants will be able to reach the universal level. Ninth, the peasants will be able to reach the cosmic level. Tenth, the peasants will be able to reach the infinite level. Eleventh, the peasants will be able to reach the eternal level. Twelfth, the peasants will be able to reach the absolute level. Thirteenth, the peasants will be able to reach the ultimate level. Fourteenth, the peasants will be able to reach the final level. Fifteenth, the peasants will be able to reach the end level. Sixteenth, the peasants will be able to reach the last level. Seventeenth, the peasants will be able to reach the first level. Eighteenth, the peasants will be able to reach the beginning level. Nineteenth, the peasants will be able to reach the origin level. Twentieth, the peasants will be able to reach the source level. Twenty-first, the peasants will be able to reach the root level. Twenty-second, the peasants will be able to reach the base level. Twenty-third, the peasants will be able to reach the foundation level. Twenty-fourth, the peasants will be able to reach the ground level. Twenty-fifth, the peasants will be able to reach the bottom level. Twenty-sixth, the peasants will be able to reach the lowest level. Twenty-seventh, the peasants will be able to reach the deepest level. Twenty-eighth, the peasants will be able to reach the furthest level. Twenty-ninth, the peasants will be able to reach the farthest level. Thirtieth, the peasants will be able to reach the most level. Thirty-first, the peasants will be able to reach the best level. Thirty-second, the peasants will be able to reach the greatest level. Thirty-third, the peasants will be able to reach the highest level. Thirty-fourth, the peasants will be able to reach the top level. Thirty-fifth, the peasants will be able to reach the peak level. Thirty-sixth, the peasants will be able to reach the summit level. Thirty-seventh, the peasants will be able to reach the apex level. Thirty-eighth, the peasants will be able to reach the pinnacle level. Thirty-ninth, the peasants will be able to reach the zenith level. Fortieth, the peasants will be able to reach the nadir level. Forty-first, the peasants will be able to reach the nadir level. Forty-second, the peasants will be able to reach the nadir level. Forty-third, the peasants will be able to reach the nadir level. Forty-fourth, the peasants will be able to reach the nadir level. Forty-fifth, the peasants will be able to reach the nadir level. Forty-sixth, the peasants will be able to reach the nadir level. Forty-seventh, the peasants will be able to reach the nadir level. Forty-eighth, the peasants will be able to reach the nadir level. Forty-ninth, the peasants will be able to reach the nadir level. Fiftieth, the peasants will be able to reach the nadir level.

Fourth, old, weak, sick, and handicapped households which can no longer cultivate the countryside will also be extricated. Their grain ration will be guaranteed and the collective's burden of providing social assistance will be much relieved.

In light of the above conditions, will land lease become a factor for polarization? Definitely not. The reasons are as follows:

First, no matter which of the above methods is adopted, each member of a collective will have an equal share of the land rent. In other words, any member who transfers his land to somebody else will get a share of the land rent, while one who contracts additional land is required to pay rent in addition to his proper contribution to the original rent and will then get the lease of his contracted land. Each member of a collective, therefore, has an equal right to enjoy the land rent.

Second, if land is not allowed to be put on sale, the amount of land a member can transfer will never increase. Consequently, the transformation of the accumulation of rent into land in the old society will come to exist no more. At that time the increase of land gave birth to a cycle of wealth concentration resulting from the increase of land leases.

Third, the amount of absolute land leased will tend to drop year by year until it vanishes. With the centralization of land, production outlets other than cultivated land will increase continuously and their economic results will be enhanced continuously. The imbalance of supply and demand of land will tend to rule and the amount of absolute land leased will drop gradually.

DISCUSSION ON INCOME, SAVINGS, CONSUMPTION

HK120635 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese, 1984, 1, pp 54-58

[Article by Yang Shengming [2799 5110 2494] of the Economic Research Institute of the Chinese Academy of Social Sciences: "Income, Savings, and Consumption"—written in June 1984]

[Text] Over the past few years, the savings of the urban residents in our country grew rapidly. From 1978 to 1983, savings increased by 78.09 billion yuan, so that the average annual increase was 16.8 billion yuan, which was 16.8 times as high as the average annual increase of 1 billion yuan for the 1952-1978 period. In particular, the increase in savings in 1983 was 21.71 billion yuan, which was more than 1.5 billion yuan more than the total increase of 20.2 billion yuan over the span of 30 years from 1952 to 1978. Why have savings grown so rapidly? What will be the effect on the national economy and the people's livelihood? What policies should be adopted in the future to deal with this situation? We should consider these questions.

1. Reason for the Rapid Increase in the Savings of the Urban Residents in Our Country Over the Past Several Years

Generally speaking, the residents' savings equal their income minus consumption (in the case of peasants and individual producers, savings also include expenditures on expanded reproduction should also be taken into account). It can be seen from this relation that changes in the residents' savings depend on two factors: their income and their consumption. If income, savings, and consumption generally grow simultaneously, then, in analyzing the relations between them, we must proceed from the fact that income, savings, and consumption. Savings can increase when the rate of increase in the residents' income is greater than, equal to, or less than the rate of increase in their consumption. However, in our country over the past several years, savings can grow rapidly because the residents' incomes increase faster than their consumption.

Since the 3d Plenary Session of the 11th CPC Central Committee, the urban and rural residents has increased rapidly with the development of production and various categories of undertakings. From 1978 to 1983,

per capita disposable income of worker families that could be spent on consumption increased by 66.5 percent, while the per capita net income of peasant families increased by 131.2 percent. This rapid increase in the residents' income was an important reason for the rapid growth of their savings, but it was not the only reason. If the residents' savings were calculated on the basis of the rate of increase in their income, or in other words, if the residents' income and their savings increased at the same rate, total savings would have been a mere 37.97 billion yuan by the end of 1983. However, actual savings reached 29.25 billion yuan, some 20 percent below the 37.97 billion yuan figure. This fact shows that aside from the rapid increase in the residents' income, consumption was also a factor related to the rapid growth of their savings. Considering the question of consumption, the residents' savings grew rapidly because the rate of growth of their consumption was lower than the rate of growth of their income; moreover, their income has been growing. In the case of peasants, from 1978 to 1979, the per capita net annual income increased by 19.9 percent, but the level of consumption (the per capita annual consumption expenditure) increased by 12.2 percent, or 4.7 percent less; and from 1981 to 1982, the per capita annual income increased by 20.9 percent, but the level of consumption rose 9.1 percent, or 11.2 percent less. A similar problem exists among urban workers, though the situation is not as serious. The fact that the consumption of goods and services has not been keeping behind their income is obviously a major reason for the rapid growth in savings over the past several years.

Why has the residents' consumption grown more slowly than their income? Some people say that it is because the interest rates offered by banks are too low. I think this is not a well-reasoned explanation. The interest rates offered have been slightly higher than in previous times, but not really high at all when compared with interest rates abroad or with profit rates. Moreover, the majority of depositors do not aim to earn interest. Has the demand for goods led to a great disparity between the total supply of consumer goods and the residents' pecuniary purchasing power? Although there has been a widening between supply and demand, it has been small and it is not responsible for the rapid growth in savings. According to investigations, the demand of people want to improve their life does not follow income increases. The question is that the structure of production and supply of the goods is at a distance is not compatible with the residents' consumption patterns; they cannot buy those consumer goods which they really want, so that they have to save a considerable proportion of their income.

In the countryside, aside from chemical fertilizers, diesel oil, and other means of production for agricultural use, what the peasants most want and need at present is mainly materials for building residential houses and other categories of durable consumer goods. Over the past several years, 1.1 billion square meters of housing reconstruction have been completed in the countryside; the scale and speed of that construction must be further accelerated in our country's villages. According to plans, by 1990, the average year approximately 15 percent of all peasant households will have moved to built houses, but less than 5 percent of the total population will have moved to built houses. The construction of peasant houses is still far from meeting the needs of the peasants. The construction of peasant houses is still far from meeting the needs of the peasants. The construction of peasant houses is still far from meeting the needs of the peasants.

In the cities, housing is the category of consumer goods which is currently most urgently needed by the residents. The housing problem is particularly serious in big cities. It is now an urgent social problem which must be quickly solved. The average resident cannot afford to buy a residential housing unit or to have a house built for him, so that out of his income there is no significant spending on housing. (Housing rent is negligible and takes up a very small proportion of a resident's income.) As to durable consumer goods like refrigerators, television sets, receiver-records, and so on, at present they are still able to absorb part of the residents' incomes, but there are problems of unsatisfactory quality and incompatibility of product variety with consumer needs. Goods that the residents greatly need are in short supply and their prices are prohibitively high, so that the residents' consumption expenditure on those goods cannot easily absorb much of their income; on the other hand, goods that consumers do not greatly need (or, more precisely, those goods whose quality fails to win the residents' confidence) are overstocked, and the residents are unwilling to spend their income on those poor quality productions. In the case of foods, the supply of what the residents greatly need, such as lean pork, beef, mutton, fish, chickens, ducks, and so on, falls short of demand, but the supply of fat pork is excessive. There is a serious shortage of top-grade garments made from wool, silk, satin, or plush fabrics, while cotton fabrics and products made from them are greatly overstocked. The considerable overstocking of cotton fabrics is not due to an excessive available total quantity, but due to poor quality and poor product variety. The situation in the cities is similar to that in the countryside; the structure of production and supply of consumer goods is incompatible with the residents' consumption pattern, so that the spending of income is hindered and a considerable proportion of income saved.

In the past, we did not pay attention to the role of consumption pattern. Objectively speaking, this was because in the past, we devoted our efforts mainly to solving the problem of providing adequate food and clothing. Over the past several years, that problem has been basically solved, our country has been advancing toward a comparatively satisfactory level of prosperity, and people have begun to pay attention to highly nutritious food, beautiful clothes, spacious housing accommodation, and top-grade goods. These changes in the role of consumption have highlighted the issue of the consumption pattern, but the structure of our industries, production, and circulation are in many ways incompatible with the new situation in the realm of consumption, so that many contradictions have arisen. Those contradictions hinder the spending of the residents' income, so that consumption lags behind income and saving rapidly increases. This growth of saving reflects the contradictions in connection with the consumption pattern.

#### 3. Disadvantages and Advantages of the Rapid Growth of the Residents' Saving

At present, there is much controversy and disagreement over the appraisal of the rapid increase in savings due to the disparity between consumption and income. I think the growth of savings brings about both advantages and disadvantages. The disadvantages outweigh the advantages, and we must conscientiously solve the problem.





Having affirmed the aforementioned significance of the rapid growth of savings that is caused by consumption lagging behind income, we should also notice the disadvantages of that growth. First, it shows that the goal of socialist production has not been attained to a satisfactory extent. In the case of socialist production, namely, the satisfaction of the people's material and cultural needs, is to be fulfilled, not only must the residents' money income be increased, but the vast numbers of residents must be supplied with adequate quantities of various means of livelihood including services that can satisfy their needs with regard to product variety and specifications. If the residents' money income alone increases but a corresponding growth of the means of livelihood is not ensured, the goal of socialist production will not be genuinely fulfilled. This situation at most merely indicates that an improvement in the residents' standard of living is possible. Before this possibility becomes a reality, the residents are forced to deposit a considerable proportion of their money with the banks, and this is a so-called deferment of consumption; if the amount of money involved is not too great and if the deferment does not last very long, the attainment of the goal of socialist production is not affected; however, if the amount of money involved is great and the deferment lasts a long time, the attainment of the goal of socialist production will inevitably be impeded. Over the past few years, the savings of the residents of our country have grown too quickly and the problem of consumption lagging behind income has been relatively serious. From 1978 to 1982, the personal consumption funds of residents in our country increased by 101.1 billion yuan, but the residents' savings increased by 36.9 billion yuan, which is one portion of the 101.1 billion yuan figure. The problem was even more serious in 1981. To know if this high proportion, how can we say that the goal of socialist production has been fully attained? Saving represents a lagging of deferred consumption, but consumption must ultimately be realized. The question is that the ratio of deferred consumption to current consumption must not be too large; otherwise, current consumption will be affected seriously, the deferment may last too long; otherwise, future consumption will be adversely affected.

Considering the dialectical relationship between production and consumption, naturally, production determines consumption; but consumption also exerts an important reaction on production. "Without consumption, there will be no production". "Consumption needs determine production" and "the nature of material production is created by consumption." In our country, the satisfaction of the broad masses of working people is a strong motive force behind the development of production. The further development of production can be promoted only if the consumption level of the masses of people is raised. Basically speaking, if the residents deposit their money with the bank while consumption cannot be realized, the role of consumption in promoting production cannot be easily brought into play. Over the past few years, with the rapid increase in savings, the role of consumption in promoting production has been weakened; this is disadvantageous to an accelerated development of production. Promoted is the source of rapid growth. If production develops fully, the source of funds will be relatively rich, and the material and technical intensity, on the contrary, if we raise the residents' income level, the production

\* This is "Selected Works of Deng Xiaoping" Period of "Collection" (1975-1982) (Changsha, 1984), Vol. 1, pp. 94, 95.

of their income and save a smaller proportion, the role of consumption in promoting production can be more fully brought into play, so that production will develop more quickly, many additional sources of funds will be opened up, and the problem of funds may perhaps be more easily solved. Therefore, from the viewpoint of the solution of the problem of funds, limiting consumption and encouraging saving is actually not a clever policy. It is probably more beneficial to turn a larger proportion of the residents' incomes into consumption so that an accelerated development of production can be promoted.

The rapid growth of savings and the use of part of those savings for investment may also be disadvantageous to the proportional development of the national economy. First, if an adequate supply of real goods corresponding to the residents' money income is ensured, when part of the money income is saved instead of being used for consumption, the consumption of that portion of the means of subsistence which corresponds to the savings will not be realized, so that an accumulated stock of the means of livelihood may result. This stock of the means of livelihood will continue to increase with the rapid growth of savings, so that between the two broad categories of social production, the relation of compensation of value and the relation of material replacement will inevitably be affected. Second, the real goods corresponding to the residents' savings originally consist of various means of subsistence (though part of the savings of the peasants and individual urban producers is matched by some means of production, of course). However, if the state uses savings as circulating funds or for investment, not only must there be a corresponding stock of various means of subsistence, but the requisite means of production are also needed. If savings rapidly increase and a large proportion is used for investment as circulating funds, this may lead to a shortage of the means of production and a relative surplus of the means of subsistence. Over the past few years, there has been a considerable shortage in the supply of the means of production; this is not completely unrelated to the rapid growth of savings and the use of a large proportion of it as circulating funds and investment funds. Third, if the circulating funds and investment funds arising from savings are used for the expanded production of the means of subsistence, this will be conducive to solving the problem of future consumption and will not cause contradiction between expanded production and consumption. However, if these funds are used for the expanded production of the means of production, and if this kind of expanded production cannot quickly promote an increased output of the means of subsistence, then, when the residents spend their savings, the contradiction between production and consumption will inevitably intensify.

The analysis above shows that if consumption lags behind income so that savings increase rapidly, the resulting disadvantages will outweigh the resulting advantages. On the other hand, of course, it is undesirable that consumption grows faster than income so that savings greatly decrease. Ordinarily, this situation does not occur in our country. It occurred only during periods of temporary economic difficulties in the early 1960's as well as in a number of years during the "Great Cultural Revolution." During these years, the residents could not make ends meet and could only mobilize their savings in response to the pressure of livelihood. This was a reflection of disproportion in our national economy.

Besides the relationship between income, savings, and consumption, aside from the two forms of manifestation analyzed above, there is a third form of manifestation, namely, the simultaneous growth of all three categories. In our country, the balanced development of production and consumption is a requirement of the basic economic law of socialism and the law of planned and proportionate development of the national economy. However, the dialectical relationship of mutual promotion between production and consumption undoubtedly requires the residents to use their income for consumption, not savings. Therefore, the proximity of the rate of growth of the residents' consumption to the rate of growth of their income represents an objective condition for socialist economic development. Thanks to the existence of this law, the residents' savings will not abruptly increase or drastically fall, but will grow steadily. The optimum rate of growth of savings lies between the rate of growth of the residents' incomes and the rate of growth of their consumption. That is to say, it is probably relatively appropriate if income, savings, and consumption to grow roughly in pace. Over the past few years, the rate of growth of the savings of residents in our country has been a bit too high, because it has exceeded both the rate of growth of income and that of consumption. It will be advantageous to our country's economic development to adopt appropriate measures to reduce the rate of growth of savings so that the rates of growth of income, savings, and consumption become more balanced.

#### 2. Fundamental Methods That Can Be Adopted at Present to Solve the Problem of the Excessive Rate of Growth of Savings

As we have stated, the residents' savings directly depend on two factors: their income and their consumption. Therefore, we should adopt measures to solve the problem of excessive savings by solving the problem of the rapid growth of income.

First, the rate of growth of residents' income is appropriate or inappropriate according to the proportional relationship between it and the rate of growth of production. Generally speaking, the rate of growth of the residents' income should be slightly lower than the rate of development of the national economy, and the state and the collective surely have a larger share of income for socialist production and for developing various branches of socialist culture and education while the people's livelihood is improved. During the 30 years prior to the 3d Five-Year Plan, the rate of growth of the residents' income grew too slowly compared with the development of production, and correspondingly, their savings grew too slowly. Over the past several years, in order to reduce the children's population rate, the rate of growth of the residents' income has been raised. These measures have been taken out of necessity. However, during the 3d Five-Year Plan, the rate of growth of the residents' income was then raised a good deal. In 1962, for example, the total value of social output increased by 10.2 percent, the total value of industrial and agricultural output increased by 12.2 percent, and the total value of goods produced by the state increased by 15.2 percent. The rate of growth of the residents' income was raised from 10.2 percent to 12.2 percent, and the rate of growth of savings increased from 10.2 percent to 12.2 percent.

tion. This proportional relationship has not caused  
the time being, but if the trend continues unchecked, serious  
problems before long. An excessively rapid increase in the  
rate of accumulation weakens the state's ability to increase accumulation funds,  
the shortage of funds may be aggravated and may disrupt  
the balance of market demand and supply, with the result that the basic  
prices of commodities may be affected. Therefore,  
we must control the growth of the residents' income by both  
macro and microeconomic means. In the future, we must link  
the growth of funds to economic result indicators like labor productivity,  
and so on; we must make the peasants increase their income  
by increasing production instead of by relying excessively on increases  
in the price of agricultural products; we must further perfect the taxation  
system, increase income taxes on high-income earners; and we must  
strengthen financial and economic discipline and prevent violations of  
discipline, such as indiscriminate granting of subsidies. Through various  
measures, we must maintain a rational proportion between the rate of growth of  
the residents' income and the rate of development of production. If this  
proportion is maintained, the rate of growth of the residents' savings will also  
be maintained.

The original solution of the problem of the excessively rapid in-  
crease in income is to strengthen the production of consumer goods and to  
increase the production of various categories of consumer goods so that they  
conform with the residents' consumption pattern; then, the residents  
will spend a larger proportion of their income and save less. As mentioned  
above, the industrial structure, the composition of our products, our cir-  
culation system, and various management systems of ours are not compatible  
with the consumption pattern appearing in the realm of consumption over the past  
few years. That many contradictions have occurred; on the one hand, many  
products are in short supply; but on the other hand, the supply of many other products  
is in excess of demand. These two phenomena have hindered the spending of  
the residents' income, so that savings have been forced to grow. In order  
to solve this problem, we must increase our knowledge of the consumption  
pattern, from investigations of trends of changes in the residents'  
income we must really discover what the residents need, accurately  
identify contradictions in the realm of consumption, and con-  
sider the problems.

Another contradiction in the consumption activities of  
the residents of our country is the housing problem. According to initial predic-  
tions, the residents of our country are to become comparatively well off in  
the near future. Over 10 billion square meters of housing accommodation must  
be built in the countryside and over 2 billion square meters in the towns and  
cities in the next 10 years. This enormous consumption need is the real  
impetus to promote the rapid development of the civilian  
building materials industries. The development of these industries will inevitably take on a  
cyclical character. The residents' income and quickly the increase in their  
income will undoubtedly promote the



development of the entire national economy. In order that this new situation can appear as soon as possible, in dealing with the countryside, we must vigorously develop credit facilities for promoting the consumption of building materials; that is, the state or the enterprises can sign contracts with the peasants, with the latter paying for building materials in advance and the former guaranteeing a supply of the right quantities of building materials of the right quality to the latter at the right time, so that not only can the problem of inadequate funds currently afflicting the building materials industries be solved, but the peasants' demand for building materials can be satisfied, and in dealing with the towns and cities, we must gradually turn housing units into commodities, so that not only can the state's investment in housing be reduced, but the shortage of funds can be reduced. Instead of having the state assume full responsibility for housing in the towns and cities, as it currently does, with the result that the residents save a considerable portion of their income, it is better to have the residents directly use their income to purchase housing units (on a whole or partial basis), so that consumption on housing can directly promote the development of the building industry and the building materials industries.

In the future, aside from housing units, various categories of highly nutritious foods and fast foods will also be able to absorb a large proportion of the residents' income. In the cities, the shortage in the supply of various categories of highly nutritious foods (such as lean pork, beef, mutton, fish, milk, fruits, and so on) is becoming more serious, while the sales of various categories of fast foods are also soaring. These trends have just appeared and the momentum of these developments will reach a peak in the near future. These trends will soon appear in the countryside too. When the demand for highly nutritious foods reaches a peak in the countryside, the contradiction between demand and supply will inevitably be more acute. Such a situation in the realm of consumption calls for our vigorous endeavor to develop animal husbandry, fishery, and various food processing industries. If production in these industries can satisfy the residents' needs, a larger proportion of the residents' income will be absorbed and the tendency for people to save their income will weaken.

Furthermore, it is an urgent need to improve the product variety and quality of various categories of clothing and durable consumer goods so that these goods can absorb a larger proportion of the residents' income. The motto for the garment industry and the durable consumer goods industries should be: Survival depends on product variety, and development on quality.



## ECONOMIC MANAGEMENT

### INVESTIGATE, STUDY TO GRASP REFORM 'DECISION'

HK210606 Guangzhou NANFANG RIBAO in Chinese 8 Nov 84 p 1

[Commentator's article: 'It Is Necessary to Encourage the Practice of Going Deep into Reality to Conduct Investigation and Research']

[Text.] In studying the 'Decision of the CPC Central Committee on Reform of the Economic Structure, an important thing is to have an overall and accurate grasp of the essence of the documents. How are we to accomplish this? Apart from reading the documents from the beginning to end, it is necessary to encourage the practice of going deep into reality to conduct investigation and study, to draw nourishment from the practice of reform, and to better understand the necessity and significance of reform of the economic structure.

The 'Decision' is the offspring of the combination of the basic tenets of Marxism and the actual conditions of China, it is the crystallization of the experience in practice over the past 35 years, in particular since the 3d Plenary Session of the 11th CPC Central Committee, and it is the guide for us in our socialist modernization from now on. Since the founding of the PRC, we have made great achievements in our socialist cause. However, there have actually existed various malpractices in the economic structure, which have impeded bringing into full play the superiority of the socialist system. Since the 3d Plenary Session of the 11th CPC Central Committee, the policy of invigorating the domestic economy and opening to the outside world has been implemented, which enables the rapid development of the national economy. Particularly in the countryside, with the implementation of the system of contracted responsibilities on the household basis, with payment linked to output, a series of successful reforms have been carried out, which have brought about tremendous changes in China's rural areas, while many experiments and explorations have been carried out in the reform of the urban economic structure, and marked results have been achieved. The theory of reform and the important strategic decision discussed in the 'Decision' are inseparable from the practice of these reforms. As the 'Decision' is derived from practice, it is necessary for us to take part in practice, to go deep among the masses and in the enterprises to carry out thoroughgoing and painstaking investigation and study if we are to understand it well and do a good job in its implementation.

Investigation and study will help us break away from outworn conventional concepts, and to further emancipate our minds. The Decision has made a breakthrough in many conventional ideas, and has proposed many new ones. The socialist structure with Chinese characteristics and full of vigor and vitality which it has proposed is different from the rigid mode of the past and is basically different from capitalism. In bondage to conventional concepts and under the ideological influence of "leftism," people used to take correct things as erroneous in the past. For instance, socialist planned economy must consciously abide by and apply the law of value, and it is a planned commodity economy based on public ownership. However, we made planned economy antagonistic to commodity economy in the past, restricted the development of commodity economy in every possible way in our practical work, and went so far as to regard commodity economy equivalent to capitalism, refusing to regard it as part of socialist economy. Facts have proved that in recent years we have developed commodity economy and diversified economic forms and have achieved very good results, which has precisely brought into better play the superiority of socialism. Regarding these and other questions, we shall have to proceed and make investigation in practice so that we may have a clear understanding through the combination of theory with practice, thereby improving our understanding greatly.

The reform of the whole economic structure with the urban areas as the key link is a something new without any set formula to follow. The Central Committee has made explicit stipulations on the general orientation and basic principles of the reform; however, in their concrete implementation, various localities must link them with the specific practice of their own areas or unit. Every city and field of the province varies in its conditions; there are coastal cities and there are inland cities, while industry, agriculture, and commerce each have their own characteristics. In the reform of the previous stage, some areas or units were quick in making a start, while others were slower to act. Therefore, the contents, steps, and methods of reform in various localities and units must be somewhat different. This precisely requires us to go deep into practice, to go deep among the masses, to carry out investigation and study, and to be good at discovering, summing up, and broadening experiences in practice. Leading cadres at all levels should all the more go to grassroots units to understand and to carry out investigation and study on various ideological and practical problems emerging in the course of reform, and solve them through suitable ways so as to push forward the reform.

At present, many localities and units of our province are organizing forces to undertake investigation and study in grassroots units. We hold that through investigation and study, a better job will certainly be done in linking with practice in implementing the Decision, so that the reform of the economic structure with the urban areas as the key link in the province may be carried out healthily and smoothly.

## MANAGEMENT

### BUILDING UP A CONTINGENT OF ECONOMIC CADRES

1984-01-24 [1984] GUANGMING RIBAO in Chinese 4 Nov 84 p 3

Editorial [1984 7720]: "Building a Mammoth Contingent of Cadres for Economic Management"

The reform of the economic structure and the development of the national economy urgently require that we have a large number of economic management cadres who have both modern economic and technical knowledge and a bold innovation and who are bold in creating new things and are capable of dealing with a new situation. However, our existing contingent of economic management cadres cannot suit this requirement. Thus, it is a pressing task to boldly promote tens of thousands of young and middle-aged economic management cadres in line with the requirements of making the cadre contingent more revolutionary, younger, better educated, and more professional.

#### 1. Necessity and Urgency of Building a Mammoth Contingent of Cadres for Economic Management

The Central Committee has made a decision on the reform of the economic structure. This is an important measure for fulfilling the strategic task of doubling the total industrial and agricultural output value put forward by the CPC National Congress. In order to fulfill the party's strategic task, it is necessary to solve the problem of cadres, which is a matter of great significance. Likewise, in order to successfully fulfill the task of reforming the economic structure, it is necessary to build a mammoth contingent of cadres for economic management. This is also a matter of great significance, because the economic management cadres are the backbone of the reform of the economic structure, entrusted with heavy tasks of implementing the party's policies and principles and organizing and leading the masses of people in carrying out the reform. Only when all kinds of difficulties are overcome by the broad masses of people under their leadership can the final victory of the reform be achieved. Therefore, the political quality of the economic management cadres, their spirit of doing things, their economic and technical knowledge, and their ability to work have a direct bearing on the reform of the economic structure of the country. In real life we can also see that production in some enterprises is developing vigorously and the masses there are highly

enthusiastic. The reason is that these enterprises have more cadres who have good political quality and higher level of education, are younger, energetic, and bold in carrying out reform and open situation. In contrast, although conditions are quite good in some enterprises, their backward situation has remained unchanged for a long time. This is because their cadres do not have good political quality. This shows that whether there is a cadre contingent with "four requirements" is the key factor concerning the success or failure of the reform of the economic structure.

As a result of the all-round consolidation over the past years, the quality of the leading bodies of the enterprises in all parts of the country has been greatly improved. Compared with those before the reform, the average age of the cadres is lower, and their level of education is higher. There are more cadres who have a good grasp of political knowledge. Moreover, a number of outstanding cadres have also grown up. However, the problems of the economic management cadres being older in age and having a lower level of education and of their being few in number have not yet been fundamentally solved. Some of them have not acquired sufficient scientific and technical knowledge, thus still using old ways in production and management. The contradictions between the new situation and the requirements of the four modernizations have become more and more prominent. If we do not wake up our minds to solve these problems or if the problems are not well solved, the reform of the economic structure and the entire four modernizations drive will inevitably suffer setbacks. Just as Comrade Deng Xiaoping pointed out: "The most serious danger is to respect knowledge and respect talented people. The key to the success of our cause lies in whether we can discover and promote talents."

## 2. Correctly Understand and Use "Good" and "Worse-Off" Cadres

A large number of outstanding talents have been, or are being, discovered in the practice of our economic structure, particularly in the reform, rectification and the reform of the economic structure. However, they have not been discovered, promoted, and used to the leading bodies at various levels. It is necessary to get rid of those "three no's" in order to solve this problem as soon as possible.

It is necessary to break with the traditional and original views on cadres. When selecting cadres for the leading bodies, we should pay attention to their family background, class origin, and record of service, but more attention should be paid to their level and actual ability. We should not be prejudiced by their old ideas or the obstructions of a traditional view of all kinds of views. We should promote cadres who really accord with the requirements of the four modernizations. As a result, many talented people cannot be promoted. If we break with these old ideas and conventions, and carry out investigation in various localities, we will find a large number of people. There are rich resources of economic management cadres.

It is necessary to take a correct attitude towards talents. The reason that a large number of talents cannot be promoted is that

have not been promoted is that some comrades said that they lack leadership experience and will not be able to shoulder heavy tasks as leaders. On this question, we must make an analysis. We should admit that some young and middle-aged intellectual cadres who have just been promoted to leadership posts really lack experience. This is because they were not at the leadership posts and did not take part in administrative work in the past. If they are promoted to leadership posts and are entrusted with heavy tasks, they will be able to temper themselves in practice and increase their ability. After 2 or 3 years, they will become experienced. As a matter of fact, in the construction of the four modernizations, both the young and middle-aged cadres and old comrades are greenhorns and need to study the new problems. When we understand the question in this way, we will be able to get rid of all obstacles and select and promote a large number of outstanding young and middle-aged cadres to important posts.

It is necessary to pay attention to the variety of knowledge and talented people. In the past, as a result of long-term political movements, there was only one criterion for selecting and promoting cadres, that is, selecting talented people in various fields only in accordance with criterion for party and administrative cadres. Thus, many real talented people were not promoted, while some of those who were promoted were not really satisfactorily qualified. As a matter of fact, in construction, various kinds of cadres are needed so that they can give play to their strong points in various fields and so that a rational immediate structure can be formed to promote our cadres. Among the economic management cadres, some are good at doing technical jobs, some are good at organization construction, and some are good at management. We can only require that they are good at doing the work they are in charge of. How can we design some "all-round" cadres and administrative cadres? We certainly need a number of party and administrative cadres, however, we must also have various kinds of cadres so that the cadre construction can become a complete one. If we have only one kind of cadres, that is, the variety of knowledge and talented people, a large number of outstanding people will appear before our eyes.

It is necessary to select and promote those cadres who are good at doing the reform and opening-up work. We will not be able to carry out the reform and opening-up work if we do not have a large number of such people. We have mobilized their minds who are more conservative, who like to do research, and have plenty of energy, and who are good at thinking and applying the new knowledge and new experience. Unfortunately, the cadres who have such qualities are not only few, but also have been refused by the old cadres. Indeed, those who seemed to be reliable have been dismissed without any consideration. As a matter of fact, many of them are those who thought and followed in reality. They usually fail to keep a good record in the past, but they will be very useful in the future. Therefore, we must overcome the bias of comparing people only by growth record. We must widely select and promote those who are good at doing the reform and opening-up work.

### 3. Several Problems That Need To Be Solved

In order to build up a mammoth contingent of economic management cadres, we have a lot of work to do. At present, we must mainly solve the following three problems:

1. To eliminate the influence of the "leftist" ideology and take a correct attitude toward knowledge and intellectuals. Since we entered the 1980's, we have been faced with the challenge of the new technical revolution. More and more people have realized that knowledge is the key factor in promoting the development of productive forces and competitiveness, and that the intellectuals who have mastered scientific and technological knowledge are pioneers of new productive forces. A large number of intellectuals are urgently needed in both the construction of the four modernizations and the reform of the economic structure. In essence, boldly promoting thousands upon thousands of young and middle-aged economic management cadres chiefly means promoting thousands upon thousands of young and middle-aged intellectuals. However, due to the long-term "leftist" influence, the bias of doubting a few people against intellectuals has still not been eliminated. They still resist promoting intellectuals and take an attitude of rejection when in fact thinking and action. They often make a fuss about something imperceptibly done by those intellectuals who have just been promoted to leading posts, and then show doubt about the party's cadre policy in the new historical period. If we do not correct such ideas, we shall not be able to promote a large number of young and middle-aged economic management cadres.

2. To adhere to the mass line. Where can we find the outstanding young and middle-aged economic management cadres we should promote? They are among the masses. The masses are most clear about talented people and know those who are the most energetic and ambitious and who have a high spirit of responsibility toward work. In recent years, a lot of methods have been adopted by various localities in this respect, such as mass promotion, small forums, public opinion polls, observation by an organization of party members, and approval by the CPC committees, and very vivid results have been achieved. In this way, an overall and overall understanding has been gained of the cadres' political and ideological quality and main contribution to work, of their professional capability and strong points, and of their type of work. They have been discovered and promoted, while inappropriate appointment and promotion of cadres has been averted. Practice shows that the mass line commandment by the masses is an effective way to discover and promote talents.

3. Old comrades must enthusiastically select people to take up the work and give way to the latter on their own initiative. At present, a number of young and middle-aged cadres have been promoted smoothly in some enterprises. This could not have been done without the enthusiastic support of the old comrades there. Proceeding from the party's cadre policy, many old comrades have taken the work of training and promoting young and middle-aged cadres as their own political duty and have enthusiastically selected promising people to be their successors. They have also given way to the latter on their own initiative, so that the young comrades can gradually perform the heavy posts. However, there are also some old comrades who do not do this and who



young comrades and do not give them a free hand in work. After helping the young comrades to get on a horse and walking with them part of the way, they are still hesitant about whether to hand over the reins or not. On some major issues they still want to take on everything as they used to do. Thus, the young and middle-aged cadres are often in a passive position. As they lack opportunities to train themselves, they are unable to make great progress. Comrade Xiaoping said: "Old comrades must consciously give way to the young." ("Selected Works of Deng Xiaoping," p. 178) The retirement of old comrades will provide conditions for these [word indistinct] of young and middle-aged cadres. This is an important matter concerning prosperous development of the party's cause.

CSO: 4006/93

## ECONOMIC MANAGEMENT

### YU GUANGYUAN ON INVIGORATING ENTERPRISES

HK190425 Beijing CONGREN RIBAO in Chinese 6 Nov 84 pp 1,

[Article by Yu Guangyuan [0060 0342 6678]: 'Vitality, Inflation, and Reform']

[Text] The "Decision of the CPC Central Committee on Reform of the Economic Structure," approved at the 3d Plenary Session of the 12th CPC Central Committee, points out that the fundamental objective of the present reform is "in line with the party's consistent principle of integrating the fundamental tenets of Marxism with China's actual conditions and the principle of creating a correct approach toward foreign experience, to emancipate the mind, more, to follow our own road, and to build a socialist economic structure with Chinese characteristics that is full of vigor and vitality so as to promote the growth of the forces of production." The "Decision" also points out that "invigorating the enterprises is the key to reinvigorating the national economy." The association of the word "vitality" with the socialist economic structure has provided us with the key to understanding the Central Committee's demand, that is, to build a new economic structure in China.

But what is vitality? "Vitality" is an internal quality of things. The dynamic vigor of the members of society, the tremendous development of the economic and social causes, high efficiency, quick pace of development, and so on are not vitality itself. However, they are the manifestations of the essence of vitality. There is no need to define vitality any more and add enough above.

The basic socialist economic structure is a new socioeconomic system to replace capitalism, which has developed to the point of crumbling. The superiority of the socialist system has been verified in a strictly scientific manner. In addition, it has also been proven by the history of the existence of socialism, including the history of the building of socialism in China. Thus, it is necessary to acknowledge that the basic socialist economic structure is full of vitality. However, as pointed out in the "Decision," because of the factors discussed in the "Decision," that is, "apart from historical, political, and ideological causes, there is a major economic factor, that is, a rigid economic structure that cannot meet the needs of the forces of production," this superiority has yet to be brought into full play. Consequently, in the words of the "Decision," "the socialist economic system bereft of much of the vitality it should possess."

That leads to the fundamental objective pointed out in the Decision, that is, "to build a socialist economic structure with Chinese characteristics that is full of vigor and vitality."

Let us now try to analyze vitality.

The first thing I want to say is that the vitality mentioned in the Decision refers to the vitality of the entire economic structure, including the vitality of various socialist economic organizations and the vitality of the whole formed by these organizations. However, since the main purpose of the 12th Plenary Session of the 12th CPC Central Committee was to solve the problem of the reform of the urban economy and since "the chief and direct responsibility for industrial production, construction, and commodity circulation falls on urban enterprises," we should pay special attention to the vitality of urban enterprises (particularly the vitality of the large and medium-size enterprises owned by the whole people). Here, we only need to analyze the vitality of the enterprises. That means, with the enterprises as the object of our analysis, we should discuss the source of the vitality of the enterprises and the relationship between the reinforcing of the vitality of the enterprises and the reform of the economic structure. The question of the vitality of the enterprises and the question of the vitality of the entire organization of the socialist economy share many similar underlying principles. In analyzing the question of the vitality of the enterprises, we can naturally explain the question of the vitality of the socialist economic structure.

Needless to say, everybody knows that whether in history or in contemporary societies, man is the ultimate source of vitality in all forms of social life. It is human beings who have created material and spiritual wealth and built civilizations. It is also human beings who have given, and are still giving, impetus to the progress of history. In order to make each socialist cause a success, it is necessary to demand that each of the people undertaking the socialist causes should be one with great socialist enthusiasm. Of course, this enthusiasm can be manifested in the prolongation of working hours or in greater labor intensity. Sometimes, this may be necessary in a case. However, it should not become a dominant trend. In addition, the purpose of socialist construction is to shorten working hours, not to prolong them, and to decrease labor intensity, not to increase it. Thus, under the socialist system, the great enthusiasm of laborers is manifested mainly in their initiative and great creativity and in their efforts to improve efficiency. The laborers are the vast number of mental and manual workers in the enterprises. "The well-spring of vitality of the enterprises lies in the initiative, wisdom, and creativeness of their workers' hand and brain."

The laborers in the enterprises are the "operators" (or, to be more correct, the "leaders of the enterprises") and the ordinary workers of the enterprises. The Decision says that the question of whether or not we can bring into full play the enthusiasm, initiative, and creativity of the urban enterprises for production and operation, as well as that of their administrative and technical staff members, in other words, whether or not the urban enterprises have great vitality, has a vital bearing on the development of our economy. The "key" of enthusiasm, that of the enterprises for production and operation, and of it

of the enterprises for production and operation' and 'that of the workers and staff members,' will be discussed. I am of the opinion that the enthusiasm, initiative, and creativity of living human beings, particularly the operators of the enterprises, are the source of the enthusiasm, initiative, and creativity of the enterprises for production and operation. The fundamental ideological basis for the enthusiasm, initiative, and creativity of the leaders of the enterprises does not differ from that underlying the enthusiasm, initiative, and creativity of ordinary laborers. The enthusiasm, initiative, and creativity of the leaders of the enterprises, as well as those of ordinary laborers, are a function of their socialist awareness and their loyalty and devotion to the cause of socialist construction. However, the manifestation of their enthusiasm is inseparable from their posts and responsibilities. For example, the enthusiasm of a worker who operates a machine in order to produce certain kinds of parts is mainly manifested in his ensuring that the quality of the parts produced can pass examination and that he can produce more parts within each unit of working time. An operator of an enterprise may display his enthusiasm by selecting the appropriate mode of operation, by making satisfactory arrangements for production, supply, and marketing, by rationally utilizing funds, by employing people in accordance with their strong points, by managing the enterprise systematically and methodically, by administering wages and premiums to workers fairly, by brilliantly applying the principle of distribution according to work, by successfully arousing the enthusiasm of the workers, and so on.

We should see that the enthusiasm of the leaders of the enterprises and that of ordinary workers are a variable factor. The enthusiasm of an individual is first determined by other internal factors, that is, as mentioned above, his socialist awareness and his loyalty and devotion to the cause of socialist construction. Of course, the formation of these factors requires much time. However, one can steadily improve on these factors by learning and by receiving education. There are also external conditions. Some of these conditions can sometimes replace education and become internal factors. However, the majority of these conditions boost enthusiasm by bringing it into full play.

Basically speaking, one can boost the enthusiasm of laborers by various means. For example, in addition to strengthening socialist education for laborers, which is a way to improve on the internal factors for enthusiasm, one can also encourage them materially and spiritually, launch emulation drives, create favorable conditions (conditions for work and study) in order to cultivate and give play to their talents, establish friendly relations among them, create a pleasant atmosphere, give them a free hand in creative work, defend and glorify their status as masters under the socialist system, and so on. The purpose of all this is to more successfully give play to the enthusiasm of laborers. We should say that only with the proper conditions for giving play to the internal enthusiasm of laborers can it play a role in actual life and be boosted.

Let us return to the question of bringing into full play the two kinds of enthusiasm mentioned in the "Decision" as the enthusiasm of the enterprise

for production and operation and that of their workers and staff members and its bearing on the reform of the economic structure.

The key to bringing the enthusiasm of the enterprises into play lies in the expansion of their decisionmaking power. If the enterprises have little or no decisionmaking power, their enthusiasm cannot be brought into full play.

In the system of the "Decision" dealing with the invigoration of the enterprises, the question of the limits of the authority of the state and the enterprises is discussed. Naturally the enterprises in question are the enterprises owned by the whole people, particularly the large and medium-sized ones. Since these enterprises are owned by the whole people, they are only relatively independent in their relation to the state, that is, the state has the right to manage and control them. This is necessary for keeping the economic activities of the enterprises in accord with the overall demands of the country's economic development. In addition, on the premise of following the state plans and subjecting themselves to state control, the enterprises have the power to adopt flexible and diversified forms of operation, to plan their operation, supplies, and marketing, and to keep and budget funds; they are entitled to retain, appoint, remove, employ, or elect their own personnel according to the relevant regulations, to decide on how to recruit and use their work force and on wages and rewards, to set the prices of their products within the limits prescribed by the state, and so on.

If we say this decisionmaking power is a necessary condition for bringing into play the enthusiasm of the enterprises for production and operation, then the enthusiasm of the workers and staff members of the enterprises will be brought into full play when their status as masters of their own enterprises is guaranteed by their rules and regulations and when their labor is closely connected with their own material benefits. It is necessary to achieve a state of affairs such that the workers are the real masters of the enterprises and can work as such at their jobs. This will arouse their deep interest in the operation and effectiveness of their enterprises, so that their performance is closely linked with their social prestige and material benefits.

The workers and staff are concerned with one question, that is, the question of the relation between the authority of the operators of the enterprises and their status as masters of the enterprises after the reform of the economic structure is carried out, after the system of putting the plant directors (or managers) in charge is applied, and after the centralized and unified leadership and the direction of production in the enterprises are stressed. This question warrants our attention. The decision of the 13th Plenary Session of the 11th CPC Central Committee has unambiguously stated that "in carrying out such centralized leadership and strict discipline, we must resolutely assure the workers and staff and their elected representatives of the right to participate in democratic management of the enterprises. That means, 'there is unity between the authority of the leadership and the status of the working people as masters of the enterprises.' This unity is a prerequisite for the proper, effective exercise of the initiative of the working people. On this point, if we insist on the kind of enthusiasm, initiative, and creativity and courage that will bring our enterprises all-around greater vitality and more rapid development."

## ECONOMIC MANAGEMENT

### ENTERPRISES ACHIEVE TECHNICAL PROGRESS

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[By reporter Ge Daxing]

[Text] Beijing, 16 Nov (XINHUA)--From the second national meeting on enterprise technical progress being held in Beijing, this reporter has learned that over the past year various localities and departments have made new achievements in promoting technical progress in enterprises in the following five respects:

**Emergence of a large number of new products.** According to incomplete statistics, since 1983 some 20,000 new products have been successfully developed and put into production. They include some large projects of advanced domestic or world technological level, such as a set of equipment for producing and finishing 15,000 metric tons of short-fiber terylene yarn annually, and a cement kiln external decomposition experimental production line for producing 700 metric tons of clinker daily.

**Accelerated technical transformation.** In the first 9 months of this year, the total investment in technical transformation in China amounted to 26.2 billion yuan, up 10.6 percent from 1983 corresponding period. There were remarkable increases in the investment in innovation and transformation projects and some decrease in the investment of non-productive projects.

**Remarkable progress in technological import.** The technological import deal concluded in 1983 will facilitate 666 factory transformation projects, more than the total number of projects facilitated by imported technologies in the 4 preceding years. Both the number and the value of the deals concluded in the first 9 months of this year exceeded those of 1983 deals.

**Improved technological management.** In this year, 627 products won national quality prizes from the state. International standards have been adopted for all the prize-winning products, except some traditional products with Chinese characteristics. Their major quality indexes have attained the qualitative level of last 7 or 8 years of their foreign counterparts. In the first 9 months of this year, national standards for 971 products were either revised or set up. Of these standards, 50.2 percent have reached the international



level of the 1970's or 1980's. The number of products which are up to the new standards increased by 240 percent as compared with the 1983 corresponding period.

Good results in technical innovations. An exhibition of achievements made in 17 cities in technical innovation and cooperation was held this year, with around 2,300 achievements made by some 1,500 enterprises on display. More than 400,000 achievements were discovered during a 'five-small-wisdom' contest among young workers, which featured small inventions, small innovations, and other achievements.

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circulation processes in the socialist economy. This theory  
tends to regard the socialist economy to be identical with the natural eco-  
nomy of the primitive communism, where there were only commodity  
distribution relations and no product exchange relations, thus  
also denying the circulation processes and no such cate-  
gories as product, labor, value and prices. In Sun Yefang's  
opinion, it is certainly not a Marxist standpoint to regard the  
socialist planned economies as natural economies (barter  
economies) that have no product exchange and circulation pro-  
cesses and are not subject to the law of value. Sun Yefang  
believed that in an economy of socialist ownership by the  
whole people and in the communist economy of the future, there  
will be enterprises with independent accounting sys-  
tems and product exchange and commodity circulation processes  
between them.

For the sake of the natural economy theory will deny the need for  
independent accounting in enterprises and consequently deny  
the need for independent accounting systems. They will regard  
the enterprises in a socialist planned economy as a kind  
of "planned" distribution relationship. The term "planned  
material supply" will then mean the direct control of the supply,  
production and circulating relations of the enterprises, going  
even to the direct interference in the  
consumption of the residents, having the thousands  
of articles, the standardized raw and other  
materials, machinery and equipment all put in charge of the  
state for their distribution and calling this  
"planned supply and transfers," and calling the supply by  
means of rationing vouchers for consumer goods "planned  
supply." In short, they assume that this rationing of  
materials is a special characteristic of the socialist planned  
economy. One impression that the wider the scope of  
the "planned supply and transfers" and "planned supply-  
ing" the stronger the planned nature of the economic  
system. One said that there are two reasons for these  
facts. One reason is that a method, which indeed  
is called "rationing system" and which had to be adopted  
because of the shortage of materials and the excess of demand  
and was supposed to be a normal phenomenon. The  
other reason is "due to insufficient understanding of  
the laws of specialized large-scale production and  
the modern scientific organizational forms of the socialized  
economy, the distribution was interpreted by the narrow  
standpoint of 'small-scale production.'" In actual fact, "admin-  
istrative" is applied in the distribution of products, be-  
cause of the transfer and distribution of the means of





[illegible]

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1. The first step is to identify the problem or goal. This involves understanding the current situation, identifying the key issues, and determining the desired outcome. It is important to be clear and specific about what you want to achieve.



Commercial departments can purchase articles for state planning and the marketing monopoly only for the production of the factories. Purchases of whatever is produced and in whatever quantity is better planned. In this way the assortments, form, design and color of the products cannot possibly meet the planning's needs. According to responses from the central sector, among the goods presently on the market, balance between supply and demand exists in 50 percent of demand and supply, supplies exists in 20 percent, 30 percent are unsuitable for the market. This serious imbalance between production and requirements of the 9th Plenum of the 11th CPC Central Committee, has been carried out in the commercial sector. A planned method was adopted that allowed the commercial sector to buy selectively and allowed the enterprises their own marketing. Apart from a limited number of goods of livelihood, for which the monopolistic purchasing system was introduced, for all other products the commercial departments determine their purchasing plans according to the needs of the market, and the industrial departments their production plans according to the purchases of the commercial departments and market projections of goods of their ability or considered under the current plan to be produced by the commercial departments that is not bought by the commercial departments or purchased by the industrial departments. Second, the trading system that separated cities was broken up, so that state-run commercial enterprises allowed to operate in the countryside to market agricultural products, and for rural supply and marketing co-operatives allowed to enter the cities to market their agricultural products. Third, the monopolies by commercial enterprises was done away with, and a system established that, while allowing the state-run enterprises to play the principal role, also recognized and allowed a variety of other economic forms, such as collective and individually operated commercial enterprises. Fourth, the state-run commercial enterprises continue their leading role, they are to regard the collective and individually operated enterprises as their supplementary support force. Fourth, when there are shortages of goods, purchase of limiting quantities or of ration tickets ration tickets have been abolished in certain commodities. To meet goods and supplies shortages, during the 1955, free purchasing and exchange of goods was allowed for certain groups of commodities. The general policy of the state

Council, prices for two lots of altogether 510 items of small commodities were opened up throughout the country. Prices for these small commodities will no more be centrally determined by the state, but will be fixed in negotiations between industry and commerce, allowing market regulation to play its role and allowing prices to be promptly adjusted on the basis of supply and demand in the market. Finally, regional and departmental restrictions were done away with. Commercial enterprises are free to import from other areas and also need not go through wholesalers, but may buy their goods directly from the factories, so that goods will truly fit market requirements, that there will be fewer links in the circulation and that the expenses involved in circulation will be reduced.

As to agricultural and sideline products in the rural areas, the policy of state monopolies for purchases and state assigned procurement will be upheld where necessary, but the overwhelming majority of products can be freely bought and marketed. Products that are subject to state monopoly buying and state assigned procurement may, with the exception of some specific types, be freely disposed of by the peasants after they will have fulfilled their quota obligations. Channels for circulation in the rural areas have also been opened up. State-run trade, trading by supply and marketing cooperatives and individual trade exist side by side. Trade at country fairs and at small commodity markets is extremely brisk. Supply and marketing cooperatives may establish retail markets and trade warehouses for agricultural and sideline products in large and medium cities. Since policies have been relaxed, circulation in the rural areas has begun to become more lively, and this has had a positive effect in that it promoted agricultural production and helped stabilize commodity prices. In the past we controlled agricultural and sideline products much too rigidly, even to the death. Dominated by a "leftist" leading ideology, goods were controlled as soon as they became scarce, and once controlled, they became altogether unavailable. Driven off like that, they became even scarcer and the scarcer they became, the more controls were instituted, ending up in a vicious circle. After relaxing policies, the situation changed completely. The problem is best explained with the situation in Guangdong Province. In 1980 Guangdong Province formulated 12 measures to invigorate circulation and enliven the economy; they relaxed purchasing and marketing policies and reduced the number of class 1 and 2 agricultural and sideline products for which the state monopolized or assigned procurements from 110 to only 16 items (including medicinal materials designated by the central authorities), readjusted the ratio of state purchase quotas and increased

the quotas for portions that may be retained, allowing the peasants to dispose freely of whatever quantities are left after fulfilling the state's monopoly purchase and assigned procurement tasks. Three types of agricultural and sideline products were left completely free for the peasants to dispose of or market themselves. In 1979 some second category items, such as cattle, sheep, fowl, eggs and fruits were made third category, subject to market regulation and trading at negotiated prices. Because control of these items had been too rigid in the past, a large gap existed for a long time between their prices and values, besides their being in short supply, so that as soon as restrictions were abolished, their prices rose steeply. However, since it stimulated the initiative of the peasants to develop production of these products, supplies became abundant and prices gradually came down again. In 1983 prices on the country fairs in Guangdong Province declined around 20 percent on the average. It is said there were many who used to shake their heads about the commodity prices in Guangdong Province, while "now most people going to Guangdong nod their heads and say 'Guangdong has come alive, has improved very nicely.'"

Our initial reforms in the circulation system of the means of livelihood make it clear that if industry, trade and individual citizens are free to deal with the purchase and marketing relations, they can resolve quite well all contradictions in supply and demand. Of course, because personal incomes rose faster than production in recent years, social purchasing power exceeded supplies of commodities made available by society, causing the comparative prices of commodities to become irrational. The readjustment of the product composition will also require a certain lengthy process. The state cannot, therefore, relax in the near future and on a large scale its controls over the trading in all products. However, in any case, the traditional concept which believed that the implementation of a system of planned economy means that the state must directly control the supply, production and marketing of enterprises and must directly determine the individual consumption of its citizens is incorrect.

#### On the Circulation of the Means of Production

Our country's current methods of supplying the means of production are as follows: first class commodities (the most

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\* Refer to "Prices for Agricultural and Sideline Products in Guangdong Province are Stabilized and are Declining," RENMIN RIBAO, 2 March 1984.

important means of production) are centrally distributed by the State Planning Commission; they are called "articles of centralized distribution," and are administered by the State Materials Bureau. Second class commodities (relatively important means of production and materials for special purposes) are centrally distributed by the various ministries of the central authority; they are called "ministry-controlled articles." For third class products (mainly sundry items of common use, such as hardware) the materials departments are allowed to establish retail stores, or these items may be freely sold by the trading departments. In concrete terms the methods are: after the the state's plan of materials distribution has been made known to lower levels, the various business departments will submit the production and supply programs of the said business branches based on the requirements of the various departments of the central authorities or of the localities. In a general order-placing meeting, the various departments of the central authority and the departments and bureaus of the provinces and municipalities will separately and point by point organize the placing of orders. After that, the various branches of trade and the various enterprises will each separately organize the supply of goods and shipments. As already mentioned, the superiority of this supply method is that it can ensure supplying the needs of key production and construction, but it has also many defects. First, the material resources that the state controls are usually the sources of goods that can be made available for centralized distribution by the state based on the reports submitted by the various departments and enterprises themselves. Over the years, there has been much over- and under-reporting for a variety of reasons. In the years of the "great leap forward," boasting and exaggerations were rampant, production enterprises vied with each other in shooting off satellites and altogether rendered the figures for sources of means of production greatly deceptive. In the last few years, the scale of investments in capital constructions got out of control, shortages occurred in the supply of materials and some enterprises and departments frequently understated their resources in order to create "excess production," which they would be able to market freely or use to establish "cooperations," while the proportion of materials under the control of the state for centralized distribution greatly declined. Second, due to the large number of enterprises, not all could attend the order-placing meetings. Other than a limited number of large and medium enterprises, especially the small enterprises could only act through the intermediary of central or local authorities who would represent them, basing on the applications or estimates of the departments concerned, and

participate at the order-placing meetings (even so, participants at the meetings numbered in the thousands and tens of thousands; the meeting was called "the great mule and horse corral"). Since materials were usually in short supply, the order-placing meeting was usually a seller's market, and the assortments, specifications, quantities and qualities were not completely fitting requirements. The meetings, furthermore, took place only once or twice a year, so that the various branches of trade, to safeguard the needs of the large number of enterprises in their trade, thought it expedient to set up warehouses in each branch and at each level. Finally, because the enterprises had no self-determination in supplies, production and marketing, and since the higher authorities often changed their plans, it frequently happened that the goods that had originally been ordered became completely useless. For all these reasons, there was serious overstocking and wastage of materials throughout the country, turnover of circulating capital was slowed down and all this great obstructed improvement of the economic results.

In the last few years, there have been certain changes in the methods of supplying the means of production. For a part of the key constructions, supplies were guaranteed for the whole project. For instance, this year the 123 key construction projects were listed as items the construction of which is to be organized according to rational time limits for the projects and to be provided by the state according to a rational time limit for completion with sufficient investment capital, materials and equipment. For other construction items the state will only supply appropriate supplies according to its ability. For any shortages of supplies solutions must be found by the enterprises either by economies, or by using substitute materials or through other channels. Second, for general production enterprises a method of fixed quantity supplies was instituted, such as issuing steel material certificates, fixing the quantities of coal, petroleum and electric power to be used and the quantities of other materials. With these supply tickets or certificates the enterprises can at any time order goods or selectively buy from the materials departments. The state is not responsible to supply amounts that exceed such supply quotas. If enterprises really need extra supplies, they will be charged at a negotiated price or at import prices. Finally, a portion of the means of production are being allowed to be introduced into the market. As to centrally controlled materials, the state allows the local authorities or enterprises to retain and also to sell a certain proportion of them. As to other materials and overstocked materials, the enterprises are permitted to market

them themselves or entrust markets for the sale of means of production to put such materials to good use or sell them on an agency basis; in these cases certain price fluctuations will be permissible. The latter two methods will impart a certain elasticity to the circulation of means of production; enterprises may mutually supply each other's needs, make good use of otherwise useless materials and reduce overstocked positions. It will, furthermore, promote improvements in the business management of enterprises and encourage them to reduce materials consumption in their production processes.

However, these reforms are only partial. No radical change has yet been effected in the materials control system by which the state directly controls the supply, production and marketing of the enterprises. On the one hand the situation is now that the enterprises must still rely on the state for the supply of the main items of their means of production; the enterprises are still stretching out their hands to the state asking for materials. On the other hand many enterprises do their utmost to underreport resources; the resources controlled by the state are shrinking continuously, with the result that many construction items that are listed in the state plan cannot obtain the necessary supplies of materials. How can this passive situation be changed? It looks as if the above-mentioned reform plan by Sun Yefang might be worth our consideration. The state should abandon involvement in matters of supply and marketing which had originally been well taken care of by the enterprises themselves. Within the sphere of the original cooperative relations (in the very beginning also arranged by the state), the enterprises should find their solutions through economic contracts. The state should only look after the supply and marketing relations of newly established enterprises. The most crucial problem here is that in the case of newly established enterprises, since the decision-making authority on expanded reproduction rests with the state, the state will decide on the quantity and scope of new construction items only according to the size of surplus means of production left available after balancing supply, production and marketing of the original enterprises. In other words, the scope of investments for capital construction for expanded reproduction is dependent on the surplus of means of production after making up whatever is needed for simple reproduction. The supply, production and marketing relations of newly established enterprises will also have to be implemented through economic contracts, to truly attain a balance of materials supply and marketing, to prevent the excessive lengthening of the front in capital construction and prevent mutual encroachments upon each other's materials. Any one of



the parties who violates the provisions of the contract must compensate for all losses. If an enterprise produces and markets its own products, the higher authority that has proposed and approved the said item bears administrative responsibility for the business result of the item in question. As long as all these measures are truly carried out, there will also be no danger of any confusion due to the fact that the state will no more directly involve itself in the supply, production and marketing affairs of the enterprises.

As conditions have been in the past in our country, there was chaos once every year in the supply of the means of production and they had to be redistributed. Since the central and local authorities and the enterprises all hanker after extensive expansions of their reproduction, the total scale of capital constructions frequently exceeded the ability to supply the means of production. As a result the requirements needed by the old enterprises to maintain simple reproduction were frequently encroached upon, a state of affairs called "capital construction squeezes out production." Some localities and enterprises were averse to let availability of the means of production and marketing possibilities unsettle their projects, which, besides, were frequently projects of industrial processing. They always thought that once the enterprise is set up, they could badger the state for energy and raw and other materials and demand that the state sell their products; the state cannot possibly "leave us in the lurch." It is in line with this idea, and in a certain way related to the current irrational system of controlling the supply of materials, that we had and are still having blind construction, duplicative production and increasing shortages in the supply of energy and raw and other materials, while goods that are in abundant supply can anyhow always withstand all pressures. If we institute a system, within the originally existing cooperative framework, of having enterprises take care of the supply and marketing relations and in addition institute economic contracts as safeguards, with the state only being concerned with balancing shortfalls and effecting a highly centralized and unified control over investments in capital constructions, we would then be able to overcome the state of confusion in the supply of the means of production.

The question is: is this method feasible? The fact is that among the entire current circulation of means of production, direct supplies account for 70 percent. That means that for 70 percent of the means of production there is a direct link between production and requirements and a very firm relationship between supply and demand. In the purchase and marketing

relationship of this portion of the means of production there is not the slightest need for involvements as the enterprises negotiate their own solutions; there would also be no need for the state to cause all the confusion every year and to have to carry out redistributions. For the remaining 30 per cent of the supplies of the means of production, there is a need for intermediary transactions. These are mainly articles in common use which can be satisfactorily handled by the materials departments. It would only be best not to employ the past method of having the higher level hand down distribution quotas, but rather have the enterprises conclude contracts with the materials departments or effect their own purchases themselves. In other words, the present materials control departments should be changed into a second ministry of commerce. Our materials departments presently employ over 600,000 staff and workers, run more than 25,000 business network outlets with a capital of over 15 billion yuan. It is absolutely possible to enliven this sector, the circulation of the means of production, and run it efficiently. Furthermore, there are now three main channels in our country for the circulation of the means of production: (1) the industrial channel, i.e. industry doing its own marketing and direct shipments (direct supplying); (2) the materials departments, mainly supplying by means of intermediary transactions; (3) the commercial departments, conducting business in sundry consumer goods, electrical equipment and materials, and also in agricultural means of production that are handled by the supply and marketing cooperatives. The idea of the above-mentioned reforms of the circulation system for the means of production, therefore, does not at all completely upset the present channels of circulation. What it changes is merely the organizational system of controlling the means of production, that is, it changes the system that the higher authority directly interferes in the supply, production and marketing affairs of the enterprises, and it bestows on the enterprises the autonomy to manage their own business operation in all these respects.

Some comrades may possibly argue: granting the enterprises self-determination in supply, production and marketing, is this not practicing capitalist liberalization? We have said earlier that under the conditions of the socialist planned economy, the orientation of production in the enterprises and the cooperative relations between them are right from the start arranged by the state in a planned manner. This is in its principle different from the state of anarchy in the capitalist production. Furthermore, the pattern of circulation is not the same as the character of circulation. If the

enterprises are free to do their own purchasing and selling of the means of production, it does not at all amount to capitalist liberalization. In the same way as it does not amount to practicing a system of planned economy if capitalist states occasionally issue orders to their enterprises forcing them to provide certain goods, it also does not amount to abandoning planned economy and practicing capitalist liberalization if we now abolish fixed quantities, supplies against ration tickets and certificates and institute free purchasing and marketing.

Other comrades may possibly worry that even now when the state exercises so strict a control over the supply of the means of production, it still happens that prices are indiscriminately raised and that allocation and transfer plans are disobeyed; would it not become more difficult to keep things under control if we free the enterprises and let them handle things themselves? In my opinion whenever we suffered shortages in the supply of the means of production on all previous occasions, it was mainly due to the excessive scale of investments in capital constructions, allowing them to exceed our abilities to supply the means of production, and it was not a consequence of broadening the authority of the enterprises to supply, produce and market. In passing let me also mention a popular viewpoint of the past, namely the belief that in contrast to the overproduction in capitalism, it is a normal phenomenon of socialism to have insufficient supplies and an excess of demand over supplies of the means of production, especially also of the means of livelihood, and that this is even a manifestation of the superiority of socialism. This is a huge misunderstanding. The socialist economy is a planned economy; it must and has to be able to balance total needs with total supplies as the only way to safeguard the smooth progress of socialist reproduction. Not only that, Marx stated long ago that the annual production in the socialist society must exceed every year's direct requirements and that there is a need for overproduction. It is only that this overproduction must be arranged in a planned way and not come about by itself in a state of anarchy. Marx said, "Once the capitalist pattern of reproduction is abolished, the problem boils down to the following: that portion of the fixed assets of which the lifespan has come to an end and which therefore requires material replenishment (we refer here to the fixed assets that fulfill functions in the production of the means of subsistence) is in its quantity different every year. If its quantity is very large in one year (similar to an above-average death rate among humans), it might possibly be very small the next year. If other conditions remain unchanged, the quantity of raw materials, semi-finished products and

auxiliary materials required for the annual production of the means of subsistence will not decrease for this reason. The total production of the means of production must therefore be increased in one situation and decreased in the other situation. This condition can only be remedied by a continuous overproduction. On the one hand a certain amount of fixed assets must be produced in excess of what is directly needed, and on the other hand reserves, particularly of raw materials and such things, must also be produced in excess of the direct annual requirements (this applies particularly to the means of livelihood). This overproduction amounts to society's regulation of the materials required for its own reproduction. However, within the capitalist society this overproduction is one of the essential factors for its state of anarchy.\* This shows that as long as we shall truly proceed according to the objective laws of socialist reproduction, we shall not only avoid stagnating for long periods of time in a passive state of insufficient supplies of the means of production, but shall on the contrary have a long-term buyer's market for the means of production. Under these conditions, the circulation of the means of production will be rendered much more lively and be better able to satisfy the social requirements. China's past experiences also testify to this fact. In 1981 when there was a large-scale retrenchment in investments for capital constructions and the growth of heavy industrial developments was curtailed, there was a substantial alleviation of the shortages in the supply of the means of production, and in some sectors the means of production even came to exceed demand. Although means of production became available in the market, their prices not only did not go up but in some cases dropped. As a buyer's market was generated, there was competition, increases in assortments and specifications, quality was improved and there was also much improvement in the service attitude.

### III

In actual economic life, there are three main forms of circulation of the means of production: (1) direct supplies; this refers to purchases and sales without the intermediary of materials and commercial departments; the direct contracting and direct shipment between producing and requiring enterprises arranged according to plan. (2) Supply by means of intermediary transactions; this refers to supplying kinds and quantities of articles to the enterprises in distributions by the materials departments according to plan. (3) Supplies by

\* "The Collected Works of Marx and Engels" Vol. 24 pp. 526-527..

retail sales; this refers to sales by the retail stores established by the materials departments in fixed quantities according to plan or free purchases by the enterprises. Sales of means of production in the third form are generally regarded as commodity exchanges or commodity circulation. As to the nature of the exchanges of means of production in the first and second form, opinions differ. Sun Yefang believes, if the exchanges in all the three above-mentioned forms take place between enterprises owned by the whole people, they are product exchanges and product circulations, and not commodity exchanges and commodity circulations. This point is open to question.

We must analyse in detail the exact character of exchanges between state-run enterprises by which means of production are supplied in a direct way or through intermediaries. From the standpoint of natural economics, they are not product exchanges and even less commodity exchanges, but merely a kind of "materials distributions," without any question of an exchange at equal values. In any case, all profits are turned over to the treasury and losses are made good by the state, "the meat is well-cooked in the pot," there is no connection to the interests of the enterprise or its staff and workers. Sun Yefang regards these exchanges as product exchanges and product circulations, for the main reason that the principle of exchanges at equal values must be observed in these exchanges and that the law of value is still exercising a regulatory role. This mainly because there is a striving for economic results, the enterprises want to have independent accounting, society also wants to check the economic effect of the funds that had been advanced and of the labor that has been expended, in order to effect a rational distribution of the social labor among all the departments of the entire society. However, since this exchange does not change the ownership of the product and has no or very little connection to the interests of the enterprise and its staff and workers, it is therefore not, or basically not, a commodity exchange or commodity circulation.

In my opinion exchanges of means of production between enterprises in socialist ownership of the whole people constitute commodity exchanges and commodity circulation. This is the case not merely because the enterprises intend to have independent accounting and observe the principle of exchanges at equal values; more importantly, socialist enterprises are to implement the principle of distribution according to work and in economic administration also the principle of material benefits. The ownership of the means of production of



enterprises in socialist ownership of the whole people can actually be divided into the right of possession, the use right and the right of disposal. In other words, the right of possession of the means of production belongs to society, the use right and the right of disposal belong to the enterprise with independent accounting. Unless the society, under very special circumstances, recovers these rights or abolishes the independent accounting system of the enterprises, the product resulting from the labor of the enterprise belongs to the enterprise and society cannot appropriate it without compensation. If enterprises exchange among each other the products that they have produced, they effect compensation of value and substitution of materials, this amounts to a change of the ownership of the products. Whether the principle of exchange at equal value is truly observed in the process of the exchange has a direct bearing on the material benefits for the enterprise and its staff and workers and an influence on the enthusiasm in the business administration of the enterprise and on the work enthusiasm of its staff and workers. This type of exchanges, therefore, still follows the principle, generally followed in commodity exchanges, of equal exchange of labor, and this is a kind of commodity exchange relation. Of course, this is a socialist commodity exchange and commodity circulation, different from those in capitalism. First, it is an exchange between enterprises established on the foundation of the system of public ownership of the means of production. Second, the exchange is carried out under the guidance of the state plan. Third, the law of value of the commodity economy is not the only regulatory factor in the socialist production, the main regulatory factors being the basic economic law of socialism and the law of proportionate development of the national economy in a planned manner. Fourth, society has the right of possession of the means of production firmly in its hands, and is capable, when need arises, to intervene administratively and to close, suspend, merge or retool the enterprises, etc.

Some comrades believe that only such means of production that can be freely bought and sold are commodities and only in such cases there exists commodity circulation, and that means of production that are allocated and transferred according to plan (including such that according to plan are directly supplied or supplied through intermediary transactions) are all not commodities and do not constitute commodity circulation. In my opinion this viewpoint does not grasp the nature of the matter. Commodity exchanges may assume many forms, and the true nature of commodity exchanges is manifested in the mutual exchange of equal amounts of labor in different



products and also manifests relations of special interests between people. The specific form of an exchange depends on many factors, including political and economic ones. Normally, for products destined for military projects or for goods contracted for the foreign trade, the contracts will frequently employ a form that prescribes the mandatory supply of goods. This form is also frequently used when there is a serious imbalance between supply and demand of major products. However, in these cases too, it is necessary to observe the principle of exchange at equal value, to provide the enterprises with a rational compensation, or even with larger rewards. Violations of the principle of exchange at equal value are bound to dampen the enthusiasm of the enterprises and its staff and workers and to adversely affect the fulfillment of the plan tasks.

There are also comrades who believe that since the means of production are commodities, it will be necessary in order to enliven circulation, that all their purchases and sales be freely carried out through the market. If the market referred to in this context is understood in the narrow sense, as retail stores, fairs, trading warehouses and other such places selling means of production, then, in my opinion, this viewpoint is wrong. Actually, the more socialization of production has advanced, the better economic information has become available, the better developed communications and transportation have become, the greater will be the possibilities for direct contacts between production and demand, and for direct lines of supply, with substantial reductions in the links of circulation. Only those commonly used sundry means of production will require to be supplied by the numerous network outlets that are spread all over the country and that are located nearby and ready at all times. However, this is not to say that there will be a progressive reduction of markets for means of production, and consequently of the scale of commodity circulation of means of production. In the broad sense of the word, the market comprises the sum total of all purchase and sales relations, direct supplies, direct contacts between production and demand, that is, a market of interaction of both sides, production and demand. From the seller's point of view it is  $W \rightarrow G$ , and from the buyer's point of view it is  $G \rightarrow W$ , both are processes of commodity circulation, it is merely that the intermediary links have been reduced. In passing let me mention that this is also an important difference between the circulation of the means of production and the circulation of the means of livelihood. The buyer's side in case of the means of livelihood are the thousands and ten thousands of consumers. Their requirements are manifold.

complex and of small quantities, and it is not necessary for them--also impossible--to run to the production enterprises for their purchases. From the sellers' point of view, it is also impossible to set up own sales network outlets all over the country: that would be a waste of money and time. The sale of the means of livelihood will therefore mainly be carried out through the commercial departments. Since the commercial departments have a large number of network outlets, have ample funds and deal in a large variety of goods, they can effect substantial savings in their expenditure for circulation, and this will increase the benefits for both the production enterprises and the consumers.

To sum up the above, in my opinion the key to invigorating circulation lies in acknowledging that the means of production are also commodities, that the circulation of the means of production must also observe the principle of exchange at equal values, that as far as possible a buyer's market must be created for the means of production, that enterprises establish direct contacts within the original cooperative frameworks and sign purchase and sales contracts, and that under normal conditions the state no more intervene directly in the supply, production and marketing affairs of the enterprises. If this is done, production and demand can be better linked up and dovetailed, and as a consequence it will also be possible to reduce as much as possible the overstocking and wastage due to production of unsuitable goods, to shorten the circulation process and reduce circulation expenses, speed up the circulation and turnover of the total social capital and to raise the economic results of the enterprises and of the entire society. Of course, this does not at all preclude the state from strengthening its involvement whenever this becomes necessary. Since our economic development is uneven, since the level and scientific nature of our planning work is not high and for other unexpected reasons, the original cooperative relations of the enterprises may possibly prove inappropriate. There is also the possibility that large surpluses or shortages of certain products may occur. In such eventualities it will become absolutely necessary for the state to intervene directly in the supply, production and marketing relations of the enterprises.

## ECONOMIC MANAGEMENT

### BRIEFS

ZHAO ZIYANG ON FABRICS, FASHIONS--During his recent inspection of the Beijing Printing and Dyeing Mill, Premier Zhao Ziyang told the reporters: It is necessary for the garment industry to establish a new concept. We do not have to stress good materials, but we should pay attention to and advocate new designs. Premier Zhao said: The prices of high-grade materials are usually several times the prices of ordinary cotton materials. Besides, clothes of high-grade materials last too long to make people change to new designs more often. He emphasized: Garments of ordinary materials and varied designs are in line with the consumption level of our people and their liking for variety in clothing. Such garments can also encourage and guide people's consumption. [Text] [Shanghai City Service in Mandarin 1100 GMT 20 Nov 84 OW]

CSO: 4006/93

## FINANCE AND BANKING

### PROBLEMS IN ESTABLISHING DEPOSIT RESERVE SYSTEM

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in  
Chinese No 7, 11 Jul 84 pp 13-16

[Article by Yu Yongheng [0151 3057 1854] and Wan Yifeng [5502 0001 3536], Hubei Branch Office of the People's Bank of China: "Problems in Establishing a Deposit Reserve System in China"]

[Text] Establishment of a deposit reserve system in China and turning it into a major means for the Central Bank to control the macroeconomics has already become a historical necessity. However, what is the theoretical basis for the establishment of a deposit reserve fund? Is it possible to get along without the establishment of a deposit reserve fund? What are the special characteristics of a deposit reserve fund for our country? The theoretical and practical aspects of these questions are awaiting exploration.

#### 1. The Basis for the Establishment of a Deposit Reserve System in Our Country

The main methods by which the central bank of a country controls the finances, regulates the economy and exercises its functions are not determined by anyone's subjective desires, but are determined by the social system, the economic pattern and the administrative machinery of the country in question. If the means of control suit the objective demands of the economic conditions, the functions of the central bank can be fully brought into play. In the opposite case, they will disrupt economic activity and even lead to an obstruction of the economic development.

In capitalist countries the central banks in general effect control of the commercial banks through the deposit reserve rate, rediscounting and open market operations. However, the economic patterns and finance mechanisms differ in the various countries, and there are differences in emphasis in the way the central banks actually use the reserve fund system. For

instance, in the United States, where the financial market and trade in securities is extremely brisk, and where there is active and widespread buying and selling of securities, the Federal Reserve Bank is particularly active in open market operations. In Japan, where the securities market is not that brisk, while commercial credit is very common and commercial bills are widely circulating, the Bank of Japan, is therefore paying more attention to the rediscount rate. It is worthwhile to note that in recent years the deposit reserve system is more and more being slighted in the Western countries and in America. Especially in the United States, the Federal Reserve Bank is frequently unable to control the commercial banks by means of the deposit reserve rate, thereby losing its grip on the scope of credits. Tracing the reasons, we find two, namely first, the capitalist commercial banks are private banks, so that when the central bank raises the deposit reserve rate as currency policy demands, the commercial banks, to safeguard their own interests, will frequently withdraw from the federal reserve system (referring to the United States). Faced with such actions, the central bank is powerless. Second, there is no internal vertical connection among the capitalist commercial banks and they have no subordinate relationships to one another. The central bank is faced with thousands and tens of thousands of neither close nor distant financial organizations. When implementing the deposit reserve system, the central bank, therefore, while attending to one problem will lose sight of another, and will lack the ability to do what it would like to do. Very obviously, the financial organizations in the capitalist society keep the deposit reserve system from playing its due role.

In China, a socialist country with a system of public ownership of the means of production, all banks and other financial organizations (except credit cooperatives) are owned by the state. The specialized banks are in their operations subordinated organizations of the central bank. Each specialized bank has from top to bottom a close-knit organizational system. Thus, they present two favorable conditions for the establishment of a deposit reserve system, namely: first, whatever economic means the central bank may employ, it can supplement with administrative measures, and it can also use administrative ways to have the specialized banks pay up their deposit funds according to the prescribed deposit reserve rate, thereby having the partial interests of the specialized banks serve the interests of the whole and in this way maintaining control of the scope of credits at the desired level. Second, China's central bank is not facing thousands and tens of thousands of unrelated commercial banks, but a bank network

of four banks, namely the Industrial Bank, the Agricultural Bank, the Construction Bank and the Bank of China, which maintain close vertical links and are perfectly organized institutions. All policies and systems of the central bank can be organized and executed in concrete terms through the head offices of the specialized banks. When the reserve rate is raised, there is no possibility that the specialized banks, to protect their own interests, could refuse to turn in deposit funds. Our social system, the pattern of our economy and our financial setup, therefore, have all the preconditions for the establishment of a deposit reserve system.

Is there, then, a necessity to establish a deposit reserve system in China? Our central bank is an administrative organ as well as an economic organization. As an economic organization, the central bank must control and manage the specialized banks mainly by means of economic methods, according to the objective demands of the economic laws. Reviewing the economic methods by which the central banks of the various countries control the specialized banks, they all cannot avoid employing the so-called "three treasures of the faith" (deposit reserve rates, rediscounting and open market operations). How are we to do it, in view of the special conditions of our country? We believe we must--and can only--use the one method of the deposit reserve rate, for the following reasons: first, it is impossible in our country to employ the methods of open market operations because we have no trade in securities, although there are now a small number of corporations and enterprises that do a small amount of share business, however, banks do not take part in the trading in shares. Second, we do not have the preconditions for the rediscounting of bills, although we still have commercial credits, but since the specialized banks do not have and cannot handle discounting of bills, the central bank, of course, does not have the problem of rediscounting bills. Since these two methods are out of the question, then let us now see whether it is possible for the reserve system to "take the stage."

## 2. The Deposit Reserve System is the Fundamental Condition for Having the Central Bank Play Its Due Role

The central bank in our country must be the main sluice gate that controls the scope of credit and regulates the direction of credit. The precondition for being able to perform these functions is the establishment of a deposit reserve system that is adapted to the national conditions of China.



First, in the same way as in the capitalist countries, there are derivative deposits in our country. Derivative deposits are a major source for the occurrence of credit inflation. Since loans can create deposits and deposits are used to grant loans, which again create deposits, this endless circular movement will finally produce a credit inflation. This means that whenever the bank grants a loan of 1 yuan, this can, due to the multiplying effect, create deposits of several yuan. After setting up the deposit reserve fund system, there would be a possibility to control the multiplying effect, and to ease up or tighten the money situation according to the condition of the currency in the market, in order to achieve a normal turnround of loans and currency in circulation. Some comrades believe that after the central bank and the specialized banks have instituted separate accounts, the specialized banks will rely in a large measure on loans from the central bank, and it will only be necessary for the central bank to tighten or ease up on credits to the specialized banks to control the scope of credit or the amount of currency in circulation in order to keep them at the desired level, so that establishing a reserve fund would be an "unnecessary move." We do not agree with this viewpoint. To explain this problem, we have drawn up balance sheets for funds in the financial system during the last 3 years, specifying the nature of the funds and dividing the statement into two sections, one for the central bank and one for the specialized banks:

An analysis of the two tables reveals to us that as long as no deposit reserve system has been established, the following two situations will arise: first, the specialized banks will borrow only small amounts from the central bank, and the loans will account for only a small proportion of their sources of capital funds. In 1982 the rate was only 2 percent and both the total amount and the ratio showed a downward trend. The specialized banks basically relied on the capital resources they could find for themselves to keep up their borrowing. The central bank had basically no power to restrain them, and in this way the function of the central bank to regulate the macroeconomics is nothing but an empty word. Second, the loans controlled by the central bank account for only a small proportion of the entire amount of loans. The proportion in the years under review is always around 15 percent and insufficient to regulate or balance the granting and receiving of loans throughout the whole country. Even the U.S. federal reserve banks, which are private banks, have a capital of \$270 billion, while our socialist big banks, which are state banks, have only 30-50 billion yuan RMB; this disparity is too large. However, some comrades believe that our central bank is in its

Balance Sheet of Total Revenue and Expenditure  
of the System of Specialized Banks

Sources of Capital Funds					Capital Held			
Items; to end of:	1980	1981	1982		Items; to end of:	1980	1981	1982
Various deposits	1659	2033	2362					
Banks' own capital	477	497	518					
Profits achieved during year in question	27	17	104		Various loans and others	2414	2765	3119
Others	81	50	65					
Loans from central bank	170	167	70					
Total	2414	2765	3119			2414	2765	3119
Proportion of loans from central bank in total sources of capital								
	7%	6%	2%					

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Balance Sheet of Total Revenue and Expenditure  
of Central Bank

Sources of Capital Funds					Capital Held				
Items;	to end of:	1980	1981	1982	Items;	to end of:	1980	1981	1982
In current a/c with international finance organ.		34	54	140	In gold		12	12	43
Currency in circulation		346	396	439	In foreign exchanges		-8	62	143
Total		390	450	579	Fiscal loans		170	170	248
Proportion of funds controlled by central bk. in total fund on loan		14%	14%	16%	Others		36	39	75
					Loans to specialized banks		170	167	70
					Total		380	450	579

character completely different from the central banks in the capitalist countries, and that it is not possible to make a comparison. If we agree that there are certain differences, then these differences are: our central bank should control a much larger proportion of loans than they, because the main function of the central banks in the capitalist countries is to control the scope of credits; as to the direction of investments, the horizontal adjustments between commercial banks and the readjustment of surpluses and shortages within the specialized banks, these are things that are irrelevant, or one may at least say unimportant to them. It is quite different in our country. The central bank is the main regulatory tool for the national economy. On the one hand it has to control the overall scope of credits and on the other hand also to coordinate the credit relations between the various specialized banks as well as to control the purposes for which the loaned funds are invested. Therefore, as long as no deposit reserve system has been established, the central bank will be unable to have a sufficiently large loan funds at its disposal to exercise any regulatory effect and the functions of the central bank will not be able to play an effective role.

### 3. The Problem of the Deposit Reserve Rate

The basic question concerning the deposit reserve fund is the reserve rate. In view of the differences in economic relations, the reserve rate presently used by capitalist countries can only serve us as a reference, but must not be copied by us. What would then be an appropriate deposit rate for China? The relationship between our central bank and the various specialized banks, and the functions that the rate must fulfill in our national economy are quite different from those in the Western countries. These differences entail special characteristics of the deposit reserve system in our country.

First, our country's deposit reserve system is a kind of singular and concentrated economic control measure. We have mentioned earlier the "three treasures of the faith" of central banks in capitalist countries, namely rediscounting rate, open market operations and deposit reserve rate. When the money supply is to be tightened, the central banks can employ the three methods of raising the rediscounting, selling large amounts of securities and raising the deposit reserve rate. When the money supply is to be loosened up, they will lower the rediscounting rate, buy up securities and lower the deposit reserve rate. Since there are no such conditions as rediscounting and operations on the open market in our country,

the one control measure of the deposit reserve fund must fulfill the function of the "three treasures of the faith," which presents a new problems for us: since there is the objective need for the one item to serve in the place of three, we must correspondingly give the deposit reserve rate a three times larger efficacy so that it will fulfill the functions of the "three treasures of the faith." We therefore believe that our deposit reserve rate must at least be larger than that of the capitalist countries; a smaller rate would not allow the central bank to play its due role.

Second, our deposit reserve fund is not a way of guaranteeing payment of deposits, but is a method to guarantee objective economic adjustments. We are a socialist state, where the state provides full guarantee for the safe withdrawal of deposits; there is not the slightest question of any possible repayment crisis. Our deposit reserve fund exists only and completely for the purpose of asserting the function of the central bank to effect objective economic adjustments. To achieve this goal, our central bank must have a loan fund of considerable extent at its disposal and must determine a corresponding reserve rate, because the central bank will be powerless to effect any macroeconomic adjustments if the reserve rate is too low.

Third, we must institute a system of interest payments for our deposit reserve funds. The central banks of the capitalist countries do not pay interest on the deposits by their specialized banks, but why would it then be necessary for us to pay interest? Our specialized banks have to pay interest at different rates on the deposits they themselves accept, and when the specialized banks grant loans to enterprises, they also collect interest at different rates. However, because they will turn over deposit reserve funds, the disparity between the total credits and the total deposits they have accepted will be quite considerable. If no interest is paid on the reserve funds, this disparity will render the specialized banks, because of the interest they have to pay on the deposits, unable to gain an appropriate income. Furthermore, the higher the deposit reserve rate, the greater would be the loss to the specialized banks, and it could even result in an inverted situation as regards the interests received for the deposits and those received on the loans. Some comrades are of the opinion that the way to solve this question is to raise the interest rates on loans by the large specialized banks and widen the margin of interest for deposits with the specialized banks. We believe that increasing the interest on loans can have a series of adverse effects on the economic processes,

for instance it will affect state revenue, production costs, prices, the people's consumption and should therefore not be rashly embarked on, while the implementation of a system of interest payments on deposit reserve funds remains after all quite feasible. Only in this way will it be possible to ensure that the central bank will have a sufficient amount of loan funds at its disposal and will fully perform its functions, while on the other hand giving due consideration to economic accounting in the specialized banks. After establishment of the system of paying interest on reserve funds, the central bank will be able, as the needs of the economic development will demand, to fix different deposit reserve rates at different times and for different specialized banks. For instance, when it becomes necessary to restrict the scale of capital construction, the central bank could raise the deposit reserve rate for the Construction Bank and reduce loans to the Construction Bank without adversely affecting the economic accounting of the Construction Bank. Actually, an interest system for the deposit funds can also have the effect of stimulating the enthusiasm of the specialized banks for turning in deposit funds.

Based on an analysis of the above peculiarities, we believe that our central bank must have control of at least 30 percent of all credits, so as to ensure that it can perform its functions. According to this ratio, we have recalculated the total credits in the recent years as follows: the total credits in 1980 were 280 billion yuan, in 1981 320 billion yuan and in 1982 370 billion yuan (adding up and averaging the figures in the above two tables). By multiplying them with 30 percent, we obtain for the capital funds which should be available to the central bank for these 3 years: 84 billion yuan, 96 billion yuan and 110 billion yuan, respectively. Deducting from these figures the amounts at the disposal of the central bank in current accounts with international organizations and currency in circulation, it would still have been necessary to receive in these three years 46 billion, 51 billion and 52.1 billion yuan (for these figure, see above tables) of deposit reserve funds. During these 3 years, the specialized banks had surplus deposits of 165.9 billion, 203.3 billion and 236.2 billion yuan, respectively. If we multiply these surplus deposits at the specialized banks with 25 percent, they will more or less equal the figures for the deposit reserve funds that the central bank would have required in these 3 years. Our conclusion is therefore that our deposit reserve rate of more or less 25 percent is correct. Within these limits we would have to fix differentiated reserve rates for the different deposits.

The level of the reserve rate and the amount of loan capital available to the central bank are of very significant influence on the ability of the central bank to effect macro-economic adjustments. First, only by having a large portion of deposits at its disposal, can the central bank reduce the granting of loans and control the scope of credits and loans when credit has to be tightened. In the opposite case, if all these deposits are left in the hands of the specialized banks and these banks even know that credits should be curtailed, they will still grant loans to the limit of their deposits in performance of their functions and according to the principle of linking deposits and loans, and the goal of controlling the scope of credits will simply not be fulfilled. Second, only by having a large proportion of the deposits at its disposal, can the central bank effect readjustments in the purposes for which the loaned funds are to be used, according to the needs of the developing economy. If the deposits are basically under the control of the specialized banks and an imbalance occurs in the proportions of economic development, making it necessary for the specialized banks to reduce their loans, they will not do so because of the large amounts of deposits they hold; and if replenishment is needed for loans of the specialized banks, the central bank will not be able to grant increased loans because it will not have loan funds to support such a move. In the opposite case, if the central bank has a large portion of deposits at its disposal, and the proportions of economic development will have to be readjusted, it could do so by means of granting larger loans to one specialized bank and fewer, or none at all, to another specialized bank and thus achieve the goal of the readjustment.

In sum, our country's deposit reserve system must formulate an appropriate deposit rate, according to China's special conditions, otherwise our central bank will be unable to perform its function of carrying out macroeconomic adjustments.

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CSO: 4006/70



## INDUSTRY

### SHAANXI PLANS TO DEVELOP FOOD INDUSTRY

HK260349 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 23 Nov 84

[Text] According to a dispatch from the news agency of the provincial government office, our province will vigorously develop the food industry. This was pointed out by Governor Li Qingwei at a routine meeting of the provincial government.

On the morning of 21 November, the meeting specially discussed the problem of expediting the development of the food industry in our province. Governor Li Qingwei stressed that the food industry as a new industry should be vigorously promoted in our province. With the rapid development of agriculture, our province is now more than self-sufficient in grain. This provides a guarantee for developing our food industry. Once it develops, it can also facilitate the growth of the province's agricultural production. Our food industry now makes up a very small proportion of the province's industries. With the steady improvement of the living standards of the people, our food industry will probably become a prime industry and an ever-lasting one in the province, which has very bright prospects. To meet the needs of our growing tourism, it is also imperative for us to vigorously develop the food industry, which may include snack foods, instant foods, and beverages. Besides comfortable hotels and beautiful scenic spots, good food is another attraction for visitors at home and abroad.

Referring to how to develop our food industry, Li Qingwei stressed: The key to the problem lies in further emancipation of the mind and relaxation of policies. Our food industry includes more than 20 trades. There will be no vigorous development of it unless the state, the collective, and the individual work hard together.

In conclusion, Comrade Li Qingwei called on governments at all levels to place the development of the food industry on their order of the day and grasp it as a matter of prime importance. The provincial food industry association should work out practical plans for the development and coordinate and organize forces of various sectors. With the common efforts of the departments concerned, it is hoped that there will be a major breakthrough in our food industry in the next 3 or 5 years.

CSO: 4006/93

## INDUSTRY

### INDUSTRIAL COOPERATIVE ASSOCIATION REINSTATED

OW201324 Beijing XINHUA in English 1157 GMT 20 Nov 84

[Text] Beijing, 20 November (XINHUA)--The Chinese Industrial Cooperative Association (CIC) has resumed activity after an interval of more than 30 years.

Eleven provincial chapters and more than 40 cooperative workshops have so far been set up in Shanghai, Gansu, Henan, Jiangsu, Shaanxi, Fujian and Anhui on an experimental basis, said Bi Pingfei, acting president of the association.

They make plastics and rubber products, chemicals, furniture, arts and crafts, electronics and copiers and carry out printing and repair work, food processing and building work.

The largest cooperative is the Lanzhou Construction Engineering Cooperative under the Gansu chapter. It has more than 300 workers and can construct buildings up to 10 storeys.

The smallest is the Beijing Folk Art Cooperative, formed by 19 young disabled people who make papercuts and greeting cards.

To train qualified personnel for the industrial cooperative movement, a vocational university was set up in Beijing this autumn, and more than 500 students have been enrolled. Courses include industrial economy, cooperative economy, library science, languages, computer software, teaching and shorthand.

With the support of CIC, a national information center, some advisory services and development companies have been set up. They are organizing technical and economic cooperation and exchange in line with the laws of commodity production, Bi said.

CIC was founded by American Edgar Snow, New Zealander Rewi Alley, and Chinese progressives Hu Yuzhi and Chen Hansheng in 1938 during the war of resistance against Japan. It was supported and eventually led by the communist party to develop small industries throughout the country.

Activities were suspended in 1957 as the country began full-scale economic reconstruction.

Under the present economic reform, a cooperative association is considered an important sector for boosting the economy, especially in outlying underdeveloped areas.

State Councillor Bo Yibo said the resumption of the industrial cooperative movement in China was "necessary, worthy and significant," and was "a component part of the effort to build socialism with distinct Chinese characteristics."

Bi Pingfei added that the association would provide extra trade channels for China through links with the international cooperative movement.

CSO: 4020/38

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### BRIEFS

SYNTHETIC LEATHER FACTORY OPENS--Yantai, 19 November (XINHUA)--China's largest synthetic leather factory went into operation today in Yantai, Shandong Province. The factory will be able to produce three million square meters of synthetic leather annually, enough for 30 million pairs of shoes. It will also produce 10,000 tons of isocyanate, 2,300 tons of polyurethane, 3,200 tons of polyurethane and many other products a year. Most of these materials will be used to produce synthetic leather, fibers and plastics. With three major installations imported from Japan, the Yantai Factory went into trial operation in July 1981. Construction began in April 1980. [Text] [Beijing XINHUA in 001140, 1500Z 21 Nov 81 GW]

WOOLLEN TEXTILE INDUSTRY QUOTA--Beijing, 21 November (XINHUA)--China's wool and animal hair textile industry reported today that its 1981 quota was fulfilled on 10 November--9 days ahead of time. By that day, the industry had turned out 140 million meters of fabrics, 22 percent more than in the same period of last year. The industry has a total of 1 million spindles, as against only 690,000 in 1979, and the annual increase in recent years has averaged 100,000 spindles. To cope with the increasing demand for wool and animal hair fabrics, the industry has developed a variety of high-grade fabrics, including messaline, Vienna, soft and thin woolen and worsted, and decorative and special-shaped chemical fibre blend products. Fabrics made of silk and wool have much in demand in international market. [Text] [Beijing XINHUA in 001180 1444Z 21 Nov 81 GW]

CNDL 0009/10

## TRANSPORTATION

### HAINAN CONFERENCE ON PORT ADMINISTRATION CLOSES

HK191035 Haikou Hainan Island Service in Mandarin 0400 GMT 19 Nov 84

[Excerpts] The 3-day Hainan conference on port administration which closed yesterday afternoon urged all port administrative departments to closely cooperate with each other, strengthen port administration, and do a good job in implementing the open-door policy, so as to expedite the development of Hainan.

Our administrative region possesses three national ports, namely, Haikou, Basuo, and Sanya; two cargo handling spots, namely, the Haikou new port and the Sanya port, and six local ports, including Yangpu, Baimajing, Qinglan, and (Xinchun) port at Puqian.

Since early this year, port transforming projects have been launched at the ports of Haikou, Basuo, and Qinglan; the ferry service between Sanya and Hong Kong has been inaugurated, and the air freight service between Sanya and Guangzhou has been resumed. The port administrative departments concerned have also taken bold action to launch reform, simplify working procedures, and minimize inspection formalities, and thus have substantially reduced the duration of the stay of passengers and cargo at the ports. At the same time, they have drawn up a port inspection system, requiring their staff to act courteously during inspections, treat passengers politely, and enthusiastically serve passengers.

During the port administration conference, experiences were summed up and tasks were assigned. The conference demanded that all port administrative departments conscientiously work out port construction plans, formulate sound rules and regulations, and concentrate their efforts on eliminating the phenomena of dirt, disorder, and poor services at various ports, so as to build our region's ports into tidy gateways known of civility, courtesy, and good social order.

CSO: 4006/93

## TRANSPORTATION

### HONG KONG MAJOR PORT FOR CONTAINERIZED CARGO

OW150747 Beijing XINHUA in English 0643 GMT 15 Nov 84

[Text] Hong Kong, 15 November (XINHUA)--Hong Kong has recorded the highest growth rate in containerized cargo among the world's top 10 container ports over the past decade, declared Sir Edward Youde, governor of Hong Kong, at the 2-day 1984 seatriade Hong Kong conference being held here.

The growth, in terms of volume, was 10.7 percent last year, he said. This is expected to rise further to over 14 percent this year.

Besides serving its own growing imports and exports, Hong Kong is also the largest transshipment center in Asia for containerized cargo, with about 30 percent of its traffic representing transshipment business, he added.

During 1983, Youde said, a total of 1.84 million 20-foot equivalent units (TEU) were handled in Hong Kong, which makes it the world's third-largest container port, after Rotterdam and New York. Of these, some 1.64 million TEUs were handled at the Kwai Chung, container terminal.

To cater for expected growth into the next decade, a three-phase expansion program has been launched at Kwai Chung, he went on. The first phase, on which work started in July this year, will increase capacity from the existing designed figure of 1.4 million TEUs per year to 2.2 million by 1986.

"I have no doubt that Hong Kong will preserve its position as a major shipping center in the future," Youde said, referring to specific provisions concerning shipping in the Sino-British joint declaration.

"Private shipping and shipping-related businesses, as well as private container terminals will be free to continue their operations here," he said. "In addition, Hong Kong will have its own shipping register and will issue related certificates under its own legislation."

The current seatriade conference is the fifth to be held in Hong Kong since 1975, with delegates of shipping and shipping-related businesses from various parts of the world participating. The conference provides an opportunity for the delegates to exchange views on issues of global importance in the shipping trade.



## TRANSPORTATION

### BRIEFS

PRC SHIPS AT EXHIBITION--Hong Kong, 13 November (XINHUA)--The model of a semi-submersible drilling rig built by the Shanghai Shipyard is a major attraction at the Far East Ships Exhibition now in session in Hong Kong. Crowds are also attracted by models of other Chinese products including containers, bulk carriers and self-elevating drilling rigs. On display are products from more than 200 businesses in over 20 countries including China, the Federal Republic of Germany and the United States. "Kantan-3," the semi-submersible drilling rig completed in June, can operate in depths of 35 to 200 meters, and withstand hurricanes and 18-meter waves. More than 500 albums on the China State Shipbuilding Corporation were snatched by visitors after the exhibition opened yesterday morning. The corporation has ministerial status. It has since 1979 sold on the foreign market ships with a combined carrying capacity of 1 million tons, according to a spokesman for the corporation delegation. Some visitors described the quality of Chinese ships as up to world standards, according to the spokesman. The exhibition, held in Hong Kong every other year, will end on 16 November. [Text] [Beijing XINHUA in English 1606 GMT 13 Nov 84 OW]

SHANGHAI HARBOR ZONE APPROVED--Shanghai, 16 November (XINHUA)--the State Council has approved the development of a new harbor zone for the Shanghai port, according to official sources here. An annual average of 20 million tons of cargo is expected to be loaded and unloaded in the Luojing Zone, 38 kilometers north of the city. The Shanghai port is the largest and busiest in China. [Text] [Beijing XINHUA in English 1306 GMT 16 Nov 84 OW]

HELICOPTER CRASH INVESTIGATION--Beijing, 17 November (XINHUA)--The crash of a helicopter in the South China Sea early this month is now under intensive investigation, the Civil Aviation Administration of China (CAAC) said here today. A preliminary report said the wreckage of the helicopter and its two engines, one reported to be missing previously, had been recovered. The helicopter was leased by the Pennzoil Far East Ltd. of the United States for its drilling operations in the Beibu Gulf of the South China Sea. Following the crash, the State Council entrusted CAAC, the Chinese Government department responsible for the country's civil aviation affairs, with the task of sending a team to the scene for investigation. A 14 November news report quoted eyewitnesses as saying: "The helicopter's plunge into the sea was followed by another bang which might have been the explosion of the left engine." The investigation team's preliminary report said this was just the eyewitnesses' estimate. Now, the team is continuing collecting relevant information for studying the crash so as to reach an accurate conclusion. [Text] [Beijing XINHUA in English 0903 GMT 17 Nov 84 OW]

DALIAN AIRPORT EXPANDED, REOPENED--Dalian, 20 November (XINHUA)--The Dalian International Airport reopened today after nearly 7 months of expansion. The airport can now accommodate larger aircraft such as Boeing 747s. Expansion began last April, involving the lengthening of the main runway and building new aprons. Dalian is a gateway to Northeast China and Inner Mongolia and trades with 140 countries and regions. The airport will have more international routes. Navigation lights and automatic control systems, to be installed next year, will make it an all-weather airport. An automatic fueling system, a terminal building, a booking office and a hotel are to be added. The city also wants large planes for a local air company and will open more domestic routes. [Text] [Beijing XINHUA in English 1032 GMT 20 Nov 84 OW]

RAILWAY EXHIBIT OPENS--Beijing, 21 November (XINHUA)--An international railway and subway exposition opened today in the National Agricultural Exhibition Center in Beijing. The exposition is the first of its kind ever held in China. Among the exhibits are locomotives, automatic control systems, instruments, and communications and signalling equipment. Participating in the week-long show are China Promotion Ltd. (Hong Kong) and more than 100 manufacturers from 16 countries including the United States, Canada, Britain, France, Federal Germany, Sweden and Switzerland. Technical seminars and trade negotiations will also be held. [Text] [Beijing XINHUA in English 0819 GMT 21 Nov 84 OW]

RAIL MARSHALLING STATION IN SERVICE--Shenyang, 24 November (XINHUA)--A large railway marshalling station went into operation Friday in Shenyang, capital of Liaoning Province, and a major transport center in Northeast China. The project, originally scheduled to go into service in 1985, was completed 1 year ahead of time, according to local authorities. The Yuguo Station, equipped with semi-automatic humping system and automated switch controllers is 7 kilometers long and covers 330 hectares. It will boost Shenyang's transport capacity and speed shipments of coal from Shanxi Province, China's leading coal producer, to industries in the northeast. Construction began in 1980. More than 200 million yuan (about 80 million U.S. dollars) went into the project, which was listed as one of the key projects under China's sixth 5-Year Plan (1981-1985). [Text] [Beijing XINHUA in English 0842 GMT 24 Nov 84 OW]

HARBIN-GUANGZHOU AIR SERVICE--Beginning 15 November, a Boeing 737 replaced the Trident flying between Harbin, Heilongjiang, and Guangzhou, Guangdong. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 15 Nov 84 SK]

LIAONING RAILWAY OVERPASS--China's first large-scale nonporous railway overpass has been completed and made available to users in Anshan City, Liaoning Province. On the morning of 15 November, leading comrades of the provincial urban construction department and the Anshan City People's Government cut the ribbon at the opening of the overpass. This overpass is 58.8 meters wide and 601.5 meters long. Construction of this overpass started in September 1983 and was completed in mid-November this year. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 16 Nov 84 SK]

## PUBLICATIONS

### GUANGXI: LEADERS ATTEND RECEPTION FOR NEW ECONOMIC BOOK

HK230638 Nanning Guangxi Regional Service in Mandarin 1130 GMT 21 Nov 84

[Excerpts] The compilation and preparation of the first large reference book on economic information in our region--the Book of the Names of Industrial and Commercial Enterprises in Guangxi--has been completed. Yesterday, the Guangxi branch of XINHUA held a reception in the (Yongzhou) Hotel, Nanning, to introduce the situation of the preparations for compiling and publishing of this book and to explain the role this book will play in and the significance of its publication for deepening the understanding of Guangxi by places at home and abroad, exchanging information, enlivening the economy, invigorating Guangxi, and bringing about an upswing in Guangxi at an early date.

Attending the reception were comrades including Qiao Xiaoguang, first secretary of the regional CPC Committee; Wei Chunshu, deputy secretary of the regional CPC Committee and chairman of the regional people's government; Jin Baosheng and Chen Huiguang, deputy secretaries of the regional CPC Committee; and (Luo Ming), adviser to the regional people's government. Others attending the reception were responsible comrades of the regional economic committee, the regional planning committee, all departments and bureaus concerned, and fraternal press units.

At the reception, Comrade Wei Chunshu spoke, pointing out: The compilation and publication of the book on the names of industrial and commercial enterprises of Guangxi helps in opening to the outside world, invigorating the economy, and promoting the economic development in our region. This is a good thing and an urgent task. He expressed support for the publication of this book. He also hoped that as far as possible, the names of large, medium, and small enterprises of all kinds in our region would be collected and published.

In his speech at the reception, (Luo Ming), adviser to the regional people's government, hoped that all would fervently support the comrades of the XINHUA branch in compiling the book on the names of industrial and commercial enterprises in Guangxi into our region's first authoritative reference book which completely and systematically introduces the situation in industrial and commercial enterprises in Guangxi.

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